

# **FINANCE AND POLICY COMMITTEE**

## **AGENDA**



**Wednesday 22 November 2017**

**at 3.00 pm**

**in the Committee Room B,  
Civic Centre, Hartlepool.**

**MEMBERS:** FINANCE AND POLICY COMMITTEE

Councillors C Akers-Belcher, Clark, Cranney, Fleming, Hunter, James, Lindridge, Loynes, Moore, Thomas and Vacancy.

**1. APOLOGIES FOR ABSENCE**

**2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

**3. MINUTES**

- 3.1 To receive the minutes of the meeting of the Finance and Policy Committee held on 30 October 2017 (*previously published and circulated*).
- 3.2 To receive the minutes of the meetings of the Tees Valley Combined Authority Cabinet held on 27 July, 2017.

**4. BUDGET AND POLICY FRAMEWORK ITEMS**

- 4.1 Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 and Financial Outlook from 2020/21– *Corporate Management Team*
- 4.2 Local Council Tax Support 2018/19 – *Director of Finance and Policy*

**5. KEY DECISIONS**

No items.



## **6. OTHER ITEMS REQUIRING DECISION**

- 6.1 Medium Term Financial Strategy - Review of Reserves as at 31<sup>st</sup> March 2017 – *Corporate Management Team*
- 6.2 Strategic Financial Management Report - as at 30th September 2017 – *Corporate Management Team*
- 6.3 Council Plan 2017 – 2020 - Quarter 2 Performance Report – *Chief Executive*
- 6.4 Filling the Holiday Gap scheme 2017 – *Director of Children's and Joint Commissioning Services*

## **7. ITEMS FOR INFORMATION**

- 7.1 Child and Family Poverty – Update – *Director of Children's and Joint Commissioning Services*
- 7.2 Departmental Annual Procurement Report Follow Up Actions – *Director of Finance and Policy*

## **8. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

### **FOR INFORMATION**

Future meeting dates –

Monday 8 January, 2018 at 10.00 am  
Monday 12 February, 2018 at 10.00 am  
Monday 12 March, 2018 at 10.00 am



# **FINANCE AND POLICY COMMITTEE**

## **MINUTES AND DECISION RECORD**

30 OCTOBER 2017

The meeting commenced at 10.00 am in the Civic Centre, Hartlepool.

**Present:**

Councillor Christopher Akers Belcher (In the Chair)

Councillors: Alan Clark, Kevin Cranney, Tim Fleming, Marjorie James,  
Jim Lindridge, Brenda Loynes and Shane Moore.

Also Present: Councillor Carl Richardson as substitute for Councillor Stephen Thomas  
in accordance with Council Procedure Rule 5.2.

Chief Inspector Nigel Burnell, Cleveland Police.

Officers: Gill Alexander, Chief Executive  
Peter Devlin, Chief Solicitor  
Chris Little, Director of Finance and Policy  
Sally Robinson, Director of Children's and Joint Commissioning Services  
Denise Ogden, Director of Regeneration and Neighbourhoods  
Steve Hilton, Public Relations Officer  
David Cosgrove, Democratic Services Team

### **60. Apologies for Absence**

Councillor Stephen Thomas.

### **61. Declarations of Interest**

None.

### **62. Care Leavers Exemption from Council Tax** (*Director of Finance and Policy and Director of Children's and Joint Commissioning Services*)

**Type of decision**

Non Key Decision.

**Purpose of report**

To seek Members approval to a local policy of exempting Hartlepool Care

Leavers from Council Tax until the age of 25.

### **Issue(s) for consideration**

The Director of Finance and Policy reported that the Children's Commissioner for England had written to council Chief Executive's requesting that councils consider removing the requirement to pay Council Tax for care leavers up to the age of 25. This reflected the view that in terms of the move to independence, care leavers face these responsibilities much younger than most and often without family members to fall back on for guidance and support.

Under Section 13A of the Local Government Finance Act 1992, the Council had the power to reduce liability for Council Tax in relation to particular types of circumstances / scenario's. It was proposed that the Council used these powers to exempt Hartlepool Care Leavers resident in Hartlepool from Council Tax until the age of 25 from 1<sup>st</sup> April 2017. Furthermore, to ensure inclusiveness of all Hartlepool Care Leavers within a Hartlepool policy framework, it was proposed that the Care Leaver Exemption from Council Tax arrangements should also apply to those Hartlepool Care Leavers under 25 who are resident outside the Borough.

In the current financial year Hartlepool BC were supporting 36 care leavers under 25 within the borough. However, 20 of this group were already exempt from Council Tax, typically because they resided either in student accommodation or a house of multiple occupation (HMO). A Hartlepool BC Council Tax exemption policy covering Care Leavers resident within the borough would, therefore, impact on only 16 individuals.

Of these 16 Hartlepool Care Leavers, 10 were in receipt of Local Council Tax Support. Awarding an exemption would marginally reduce the Council Tax Base but would also produce a saving on the cost of Local Council Tax Support. The net cost in 2017/18 of implementing a Hartlepool Care Leaver Council Tax Exemption Policy within the borough was estimated at about £6,700.

There were currently 28 Hartlepool Care Leavers under the age of 25 outside the borough. Out of the 28 care leavers, 16 were currently not claiming due to their circumstance, i.e. living with a family member. The cost of providing a Hartlepool Care Leaver Council Tax Exemption for Care Leavers outside the Borough was estimated at about £5,000 which could be resourced within the Tax Base determinations.

The Chair of the Children's Services Committee spoke in favour of the proposal. The Member indicated that this would provide significant help to young people who had left the care system. The Council was also looking towards producing a Care Leavers Charter and from discussions with young people who had been in care it was clear that they would benefit from some assistance with independent living skills and financial independence. The Chair of the Children's Services Committee also

commended the staff that worked with young care leavers assisting them into independent living.

Members queried if the support would still be provided if the care leaver was living with another person or had married. The Director indicated that the report and calculations had been based on all care leavers irrespective of marital status. The Director of Children's and Joint Commissioning Services commented that the proposed Hartlepool scheme went further than many others already approved in that it would assist those care leavers who now resided outside of the borough.

The Chair welcomed the proposals and suggested that rather than instigate a publicity campaign, details of the scheme should simply be circulated to all appropriate care leavers and support staff.

The following recommendations were agreed unanimously.

### **Decision**

1. That a policy of exempting all Hartlepool Care Leavers under 25 from Council Tax whether resident inside or outside the Borough, backdated to 1st April 2017, be approved.
2. That relevant adjustments to the Tax Base arrangements in relation to this policy be approved.
3. That the Director of Finance and Policy write to the Children's Commissioner outlining the approved scheme for Hartlepool.

### **63. Minutes of the meeting held on 18 September 2017**

Confirmed.

### **64. Minutes of the meeting of the Health and Wellbeing Board held on 26 June 2017**

Received.

### **65. Minutes of the meeting of the Safer Hartlepool Partnership held on 11 August 2017**

Received.

Councillor Clark left the meeting at this point.

**66. Community Safety Plan (2017 – 2020)** (*Director of Regeneration and Neighbourhoods*)

**Type of decision**

Budget and Policy Framework. General Exception Notice applies.

**Purpose of report**

1. To consider the Community Safety Plan 2017-2020 (also referred to as the Community Safety Strategy).
2. To consider referral to Council for adoption of the Community Safety Plan 2017-2020.

**Issue(s) for consideration**

The Director of Regeneration and Neighbourhoods reported that the Community Safety Plan 2017-20 had been developed based upon the findings of the Safer Hartlepool Partnership Strategic Assessment; public consultation including on-line surveys undertaken in December and June; the Face the Public Event; and through the Council's Community Forums. Consultation has also taken place with key strategic Partnerships such as the Adult and Children's Safeguarding Boards and the Health and Well Being Board at the Safer Hartlepool Partnership Development Day held in May. In July 2017 the Council's Audit and Governance Committee and Finance and Policy Committee were also consulted on the Plan, with the final draft of the Plan being considered and agreed by the Safer Hartlepool Partnership in September 2017.

**Decision**

That, in accordance with the budget and policy framework, the Community Safety Plan 2017-2020 be referred to full Council for adoption.

**67. Integrated Working – Community Safety** (*Director of Regeneration and Neighbourhoods*)

**Type of decision**

Key Decision (tests (i) and (ii)) Forward Plan Reference No. RN11/17.

**Purpose of report**

To consider a new model of integrated working between the Police, Fire, and Council Community Safety and Engagement Services and to agree recommendations for service remodelling.

**Issue(s) for consideration**

The Director of Regeneration and Neighbourhoods reported that as a result

of the development work undertaken during the summer months and discussions with partners, general agreement had now been reached with Cleveland Police, Cleveland Fire Service, and the Police and Crime Commissioner for Cleveland in relation to the model and core offer of the integrated community safety team. Working to improve safety in the local environment and improve public confidence the team would take a targeted approach focusing on vulnerable areas and individuals. In addition to neighbourhood policing the core offer of the team would be as follows:

- Crime and anti-social behaviour prevention
- Victim Services and Crime Prevention (including personal security and targeting hardening service)
- Community Resolution and Mediation
- Car Parking Enforcement
- Environmental Crime
- Community Cohesion, Hate, and Prevent
- Community Monitoring (CCTV)
- Building Community Resilience / Volunteering Opportunities
- Fire Service Advocacy (vulnerable adults)
- Fire Service Interventions (children)
- Community Liaison (fire safety)

To improve information sharing and ensure a joined up approach for the communities of Hartlepool, the 'Hartlepool Community Safety Team' would be collocated. A number of possible options in relation to a base for the team have been considered including the Civic Centre; the former Probation building; and Stranton Fire Station. However, Avenue Road Police Station was the recommended option as it would provide sufficient space for the team with some flexibility to grow whilst also maintaining links with Police Volume Crime Detectives. Much of the ICT infrastructure was already in place at the Hartlepool Police Station to accommodate Council staff and it was anticipated that collocation would take place in early 2018. Any one-off costs associated with the re-location will be funded from the Community Safety Revenue Budget.

The Hartlepool Community Safety Team operational delivery model was outlined at Appendix 2 to the report, and a staff governance structure to support delivery of the model, along with a revised community safety and engagement service structure was attached at Appendix 3 to the report. This identified the Neighbourhood Police Team Chief Inspector as the single coordinator and point of contact for the Hartlepool Community Safety Team, with key supporting officers from each of the organisations providing staff supervisory arrangements. From a strategic governance perspective the Chief Inspector will be accountable to the Safer Hartlepool Partnership via the Director of Regeneration and Neighbourhoods.

The report set out the potential risks and staffing and financial implications. In relation to staffing and financial implications, the Director reported that the Council's Medium Term Financial Strategy included a saving of £50,000 in 2018/19 which was expected to be achieved as result of this service

review. One ER/VR (Early Retirement / Voluntary Redundancy) had already been agreed which would generate a saving of £25,000 per annum. A reconfiguration of management and supervisory arrangements within the service to support operational delivery of the new model would achieve a saving of £58,000 per annum; taking the total savings generated to £83,000 per annum. The balance of savings achieved was, therefore, £32,000 and this funding would be used to support the cost of increasing the front line resilience within the new service model.

Members queried the budget savings on staffing when two new enforcement officer posts were being proposed. The Director clarified that the two new enforcement officer posts would enhance the frontline delivery of the team. The post deletions and the ER/VR reported were in relation to office based posts.

Members asked what the contact arrangements would be for the new team and if the public would be able to report out of hours noise complaints. The Director clarified that the service wouldn't be a 24/7 service but the length of the 'working day' was being extended. Contact arrangements and other issues would be the subject of a further report to members.

The Chair thanked the officers from all partners involved in the development of the proposals now submitted to Members. The Chair indicated that the links for Members to the team would be key and indicated that an 'app' for reporting issues was being developed. The Chair noted that the recommendations would need to include reference to strategic responsibility for the Community Engagement and Cohesion Strategy being transferred to Corporate Services, with strategic responsibility for Voluntary and Community Sector infrastructure support transferring to Economic Growth within the Regeneration and Neighbourhoods Department.

### **Decision**

1. That Committee approved the integrated community safety model outlined in section 4 of the report ,noting
  - The core offer of the integrated community safety team
  - The operational delivery model and links with other council services
  - The staff governance structure
2. That Committee approved the reconfiguration of the Community Safety Service to meet the needs of and support the effective delivery of the new service.
3. The Committee noted that the proposals achieved the £50,000 savings for 2018/19 included in the Councils Medium Term Financial Strategy.
4. The Committee noted that the proposals created a greater resilience in



relation to the Councils front line enforcement services would cost £90,000 per annum, and this would be funded by savings achieved by the new operating model and existing available resources.

5. The Committee noted that investigations into further enhancing the model through the inclusion of other services would be explored.
6. The Committee agreed that an update on implementation of the new model be provided to the Finance and Policy Committee in six months (April 2018) together with the outcome of further investigations into how the model could be enhanced.
7. The Committee agreed that strategic responsibility for the Community Engagement and Cohesion Strategy be transferred to Corporate Services (in the Finance and Policy Department), with strategic responsibility for Voluntary and Community Sector infrastructure support transferring to Economic Growth (in the Regeneration and Neighbourhoods Department).

## **68. Housing Revenue Account - Business Plan and Asset Management Plan** *(Director of Regeneration and Neighbourhoods and Director of Finance and Policy)*

### **Type of decision**

Key Decision test (i) and (ii) Forward Plan Reference No. RN 31/16.

### **Purpose of report**

This report set out the Housing Revenue Account (HRA) Business Plan and Asset Management Plan. The aims of the business plan and asset management plan were to:

- Focus spending on housing maintenance and management that meets the needs of our customers whilst being efficient and delivering value for money;
- Invest in existing stock to ensure it is sustainable.

### **Issue(s) for consideration**

The Director of Finance and Policy reported that the plan focused on the core business of managing and investing in the Council's residential property portfolio of 245 properties, as of September 2017. The purpose of the plan was to:

- Set out our objectives as a landlord which are aligned with the adopted Housing Strategy;
- Setting out the current position of the housing management service;
- Provide a overview of the key challenges to providing housing management services;

- Set out an action plan and asset management plan including how it will be resourced; and:
- Provide an overview of risks and managing those risks over the life of the business plan.

The report detailed the current housing stock, the results of the condition survey and the financial framework the Council had to operate within. Prior to 1st April 2016 the Council had been operating outside of the HRA regime by obtaining an exemption from the Department of Communities and Local Government (DCLG).

The Council was required to reopen the HRA on 1st April 2016 as a result of the Government's decision to impose a new maximum limit of 200 houses that can be held with such an exemption. The Council was already over this limit and was in the process of acquiring additional houses with a capital programme that increased the total number of houses to 267 units. Approval was obtained, therefore, from the Government to re-open the HRA.

Funding for these schemes used a combination of grants from the Homes and Communities Agency (HCA) and the Department of Communities and Local Government (DCLG) as well as prudential borrowing funded from rent income. All of the capital schemes to acquire houses were subject to a rigorous evaluation and investment appraisal to ensure the business case/financial model was robust and able to withstand a range of financial scenarios.

The business case adopted for each scheme was based on the same principals inherent in the HRA self financing framework. The Government had reformed the HRA system in 2012 so that each Council's HRA could fund its own running and loan repayment costs.

In recent years there have been a number of factors which had put the HRA model under financial pressure. These factors would have applied if the houses had remained outside the HRA. These factors included Government policy changes restricting rent levels and an increasingly challenging operating environment. To date the Council had managed to withstand and absorb the resulting financial impacts due to the prudent and resilient business model which underpinned the Council's housing investment. However, it was becoming increasingly difficult and some changes to the business plan would be necessary to ensure it continued to be sustainable.

After reflecting all of the changes outlined and, where necessary, amending the planning assumptions within the model, the medium term financial projections for the HRA over the next five years had been updated and the latest forecast was set out in the report. This showed that the HRA was likely to be in deficit for the next five financial years though the Director stated that this was not unduly concerning at this time.

In terms of the future development of the Council's housing stock, because of the HRA ring fencing and Debt Cap set by the Government, the sources of future funding available to expand the HRA were currently restricted to the following:

- Prudential Borrowing – limited by the debt cap;
- Former Right to Buy (RTB) sales receipts;
- Section 106 'Affordable Housing' contributions from Developers; and
- HCA Grant Funding.

In light of this and in order to secure the longer term sustainability of the stock, it was proposed that any future property acquisitions should be either new builds or high quality housing. It was anticipated that the funding available could fund the acquisition of between 13 – 15 such properties. There would be a financial benefit to the HRA of acquiring additional new build or high quality empty properties and this was estimated to be approximately £30,000 per year. This contribution would help build resilience into the HRA which was currently in deficit and contribute towards the cost of empty properties and help with meeting the repayment costs of overhanging debt from RTB sales. Focusing on these property types would limit the risks (outlined in the report) around voids, tenant turnover, bad debt and higher maintenance costs as well as maximising income.

Members queried the levels of voids and rent arrears and the Director indicated that with new build properties, the void levels were below 1%. For the other properties in the portfolio, voids were around 12% reflecting the difficulty in letting some properties. Rent arrears were being affected due to the roll out of Universal Credit but there was experience of rents being recovered over the longer period.

A Member questioned the situation around Right to Buy and the potential of that with the new builds the Council was proposing to purchase. The Director of Regeneration and Neighbourhoods reported that the business plan was supported by a sensitivity analysis which assumed two right to buy properties per year based upon historic levels. Right to Buy regulations meant they couldn't be sold for any less than their purchase price but much depended on government policy

Members were concerned at the impact of Universal Credit and particularly the potential for tenants in social housing being made homeless through eviction and turning to the council to find them a new home. The Director of Regeneration and Neighbourhoods commented that the Council's statutory duty did not change and the Council would look to find suitable accommodation for such families.

A Member asked if there was greater financial benefit for the Council building new properties rather than purchasing them. The Director of Regeneration and Neighbourhoods stated that the potential for schemes such as the one recently approved for Hart Village where the Council would be actively involved with development would be pursued where viable.

The Chair considered the Council had much to be commended for in terms of the current position of its housing stock and its plans for the future. Members echoed the Chair's views and commented that the Council had taken a bold step in investing in empty properties in residential areas that were causing concern and that direct action had made a difference to those areas and the lives of the people already there. The Chair noted a request for an amendment to the wording of recommendation 4.

### Decision

1. The Committee noted the financial forecast and predicted deficit set out in the report and that this was due to the:
  - Adverse impact of government policies in relation to rent cuts, benefits expansion of the 'Right to Buy'.
  - More challenging operating environment for empty properties, which includes higher void levels, lower rent income and increased repairs and maintenance costs.
- 2.. The Committee noted the risks identified in Section 9 of the report and approved the proposal to retain the current level of HRA balance to fund the forecast deficit and help manage future financial risks.
3. The Committee approved the proposal to use the funding identified in to purchase approximately 13 to 15 new build or high quality empty properties, and to refer the funding approval decision to Council for inclusion as part of the MTFS. This included prudential borrowing of £548,000 to be repaid from future rent income.
4. That Council be requested to delegate authority to approve the purchase of specific houses to the Chief Executive in consultation with the Director of Regeneration and Neighbourhoods, Director of Finance and Policy, the Chair of Finance and Policy Committee and the Chair of the Regeneration Services Committee.
5. That a report be submitted to a future meeting of this Committee on –
  - (i) Proposals for using Right to Buy funding as detailed in paragraph 12.1 of the report.
  - (ii) Proposals for using future Section 106 affordable housing contributions from 2018/19 onwards, including potential opportunities arising from the government's policy announcement to provide funding for new council housing.
6. That a report be submitted to a future Regeneration Policy Committee on the Council's future Housing Regeneration programme detailing the next phase of the Empty Homes Strategy.

## **69. Housing Restructure** (*Director of Regeneration and Neighbourhoods*)

### **Type of decision**

Non Key Decision.

### **Purpose of report**

To seek Members approval to a restructure of housing services following on from the corporate restructure agreed by the Committee on 9 August 2017.

### **Issue(s) for consideration**

The Director of Regeneration and Neighbourhood Services reported that the Council's Housing team as it is now was created in 2011 by bringing various teams that were located across the Council together into one homogenous Housing team under one manager. In 2016 the decision was made to allow the then Housing Manager to leave via voluntary redundancy and the Housing team was merged with the Planning team. The rationale for merger of the teams at that time was against a background of government policy and, particularly grant funding which linked these two areas of local authority functions. It had become clear since the merger that managing the two teams effectively was extremely challenging to the point where it was impacting on the effectiveness of staff.

In order to remedy this situation the Housing Management and Housing Regeneration teams were due to transfer to the Estates team to alleviate this pressure. However, in August 2017 the Estates Manager took employment elsewhere and as a result this post became vacant; this put a pause on the proposed transfer and provided an opportunity to look more strategically at the future demands upon these services.

Recruitment is currently underway for the new Band 15 Strategic Asset Manager to replace the Estates Manager post. The restructure proposal was to split up the Housing team and to disperse management responsibility of the sub teams to different Council teams/departments where synergies/working relationships currently existed.

The current Housing team had numerous "shared roles" where officers work across sub-teams; this had previously caused problems with regard to business continuity, staff capacity and staff morale due to lack of clarity over responsibilities. The restructure would seek to remedy these issues by removing any shared roles, with dedicated officers undertaking work exclusively in the new sub-teams. Through this process it was not anticipated at this stage that there would be any changes to banding etc. but a revision of job descriptions etc. would be required to clarify duties going forward. There was a desire is to deliver this restructure by Christmas 2017 and the process to achieve this was set out in the report with the associated risks.

**Decision**

1. That the proposed restructure as reported be approved,
2. That the Housing budget be kept intact and that the overall budget be divided on a pro-rata basis that meets the needs of the business across the new management area.
3. That officers progress the relevant HR consultation process with affected staff.

**70. Land at Spencer Grove** (*Director of Regeneration and Neighbourhoods*)

The Chair indicated that a potential report on this matter had been withdrawn from the agenda.

**71. Apprenticeship Programme 2017/2018** (*Assistant Director, Corporate Services*)**Type of decision**

For information.

**Purpose of report**

The purpose of the report was to provide Finance and Policy Committee with a position statement in relation to the apprenticeship programme within Hartlepool Borough Council.

**Issue(s) for consideration**

The Director of Finance and Policy submitted a report updating the Committee on the apprenticeship programme for 2017/18. The report indicated that 30 apprentices had progressed to the next level or continued in their current apprenticeship; 7 secured employment (5 within HBC); 4 moved onto the casual register and 2 left the Council with no employment.

To maximise the opportunity of gaining employment within the Council, once an apprentice had successfully completed their apprenticeship they were transferred to the casual register for as long as they wished. As well as allowing them to undertake casual employment opportunities it also enabled them to apply for internal job vacancies.

In addition to the 30 apprentices that were progressing to the next level of their apprenticeship or continuing on their existing apprenticeship in September 2017, 10 new business administration apprentices commenced in September 2017 and 1 Social Care Apprentice is scheduled to commence on 1 November 2017. A total of 41 apprentices, therefore,

would be employed by the Council.

In order to make the most of the opportunity presented by the apprenticeship levy, additional apprenticeships in other occupational areas were also being explored for both new apprentices and existing employees. A collaborative approach was also being taken with schools, to ensure that the Apprenticeship Levy was maximized across Hartlepool for the benefit of all residents.

The Chair requested that the Minister of State for Apprenticeships and Skills be contacted to seek details of the amount raised through the Apprenticeship Levy across all Hartlepool businesses and how much of that was subsequently drawn down and the numbers of apprentices employed. The utilisation of the Apprenticeships Levy was an issue being considered by the Tees Valley Combined Authority for inclusion in the devolution scheme so that it could be managed regionally.

A Member questioned if the training provided from within the Apprenticeship Levy could be utilised for Member training as well as staff. The Director indicated that he would need to review the conditions surrounding apprenticeship funding.

### **Decision**

1. That the report be noted.
2. That the Director of Finance and Policy request details from the Minister of State for Apprenticeships and Skills on the amount raised through the Apprenticeship Levy across all Hartlepool businesses and how much of that was subsequently drawn down and the numbers of apprentices employed.

## **72. Any Other Items which the Chairman Considers are Urgent**

None.

## **73. Local Government (Access to Information) (Variation Order) 2006**

Under Section 100(A)(4) of the Local Government Act 1972, the press and public were excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.

Minute 74 – Borough Hall - Capital Works – This item contains exempt information under Schedule 12A Local Government Act 1972 as amended

by the Local Government (Access to Information) (Variation) Order 2006 namely (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information).

- 74. Borough Hall - Capital Works** (*Director of Regeneration and Neighbourhoods*) This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para 3).

**Type of decision**

Non key decision.

**Purpose of report**

To outline the proposed works required at the Borough Hall following the recently reported condition survey, structural survey, fire risk assessment and a Health and Safety Inspection.

**Issue(s) for consideration**

Details are set out in the exempt section of the minutes.

**Decision**

Details are set out in the exempt section of the minutes.

The meeting concluded at 10.55 am.

**P J DEVLIN**

**CHIEF SOLICITOR**

**PUBLICATION DATE: 10 NOVEMBER 2017**





# Minutes

## TEES VALLEY COMBINED AUTHORITY CABINET

**Cavendish House, Teesdale Business Park, Stockton-On-Tees at 10.00am on Thursday 27th July, 2017**

### **ATTENDEES**

#### **Members**

Mayor Ben Houchen (Chair)  
Mayor David Budd  
Councillor Christopher Akers-Belcher  
Councillor Bob Cook  
Councillor Chris McEwan  
Councillor Christopher Massey  
Paul Booth

Tees Valley Mayor  
Mayor of Middlesbrough  
Leader, Hartlepool Borough Council  
Leader, Stockton-on-Tees Borough Council  
Cabinet Member, Darlington Borough Council  
Deputy Leader, Redcar and Cleveland Borough Council  
Member of Tees Valley LEP

#### **Associate Members**

Alistair Hudson  
Jerry Hopkinson  
Albert Pattison  
Mike Matthews

Member of Tees Valley LEP  
Member of Tees Valley LEP  
Member of Tees Valley LEP  
Member of Tees Valley LEP

#### **Apologies for Absence**

Councillor Bill Dixon  
Councillor Sue Jeffrey  
Angela Howey  
Phil Cook  
Siobhan McArdle  
David Soley  
Graham Robb

Leader, Darlington Borough Council  
Leader, Redcar and Cleveland Borough Council  
Member of Tees Valley LEP  
Member of Tees Valley LEP  
Member of Tees Valley LEP  
Member of Tees Valley LEP  
Member of Tees Valley LEP

#### **Officers**

Ada Burns  
Neil Schneider  
Steven Newton  
Andrew Lewis  
Sarah Brackenborough  
David New  
Sarah Tennison

Chief Executive of Darlington Borough Council  
Chief Executive of Stockton-On-Tees Borough Council  
Monitoring Officer, Redcar and Cleveland Borough Council  
Managing Director, Tees Valley Combined Authority  
Governance Manager, Tees Valley Combined Authority  
Senior Finance Manager, Tees valley Combined Authority  
Innovation and Technology Manager, Tees Valley Combined Authority

Zoe Lewis  
Mark Ladyman

Principal, Middlesbrough College  
Director for Economic Growth, Redcar and Cleveland Borough Council

Sarah Glendinning  
James Ramsbotham  
Paul Campbell

Regional Director, CBI  
Chief Executive, North East Chamber of Commerce  
Head of Investments and Treasury Management,

## Middlesbrough Borough Council

<b>TVCA 15/17</b>	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Councillor Massey declared an interest in the item regarding the Teesside Pension Fund, as a Teesside Pension Fund Member.</p>
<b>TVCA 16/17</b>	<p><b>MINUTES</b></p> <p>Consideration was given to the minutes of the meeting held on 13<sup>th</sup> June 2017.</p> <p>RESOLVED that the minutes of the meetings held on 13<sup>th</sup> June 2017 be confirmed and signed as a correct record.</p>
<b>TVCA 17/17</b>	<p><b>ANNOUNCEMENTS FROM THE CHAIR</b></p> <p>The Chair confirmed that all matters were covered on the agenda.</p>
<b>TVCA 18/17</b>	<p><b>SUPPORTING APPRENTICESHIPS</b></p> <p>Consideration was given to a report requesting approval of a new Apprenticeship Grant. The grant would be used to boost the number of high quality apprenticeships and to help smaller businesses to recruit and train apprentices. The Mayor thanked the lead Cabinet Member, Councillor Akers-Belcher, for the work done to date on the delivery of the previous scheme.</p> <p>Cabinet noted that it would be important to track the progress of employees and apprenticeships and also to ensure full consideration of the impact of the Apprenticeship Levy. It was noted that any issues and concerns would be picked up in a further report to be presented to Cabinet in Spring, and also through the Education, Employment and Skills Partnership Board.</p> <p>RESOLVED that:</p> <ol style="list-style-type: none"> <li>i. the latest information on the delivery of the Combined Authority's existing support for apprenticeships and the new national policy framework within which we now operate be noted;</li> <li>ii. a revised model of delivery for support for apprenticeships be funded, with three key elements: <ul style="list-style-type: none"> <li>• A grant to support apprenticeships in priority sectors as identified in the Strategic Economic Plan;</li> <li>• Support for small employers to create new apprenticeships;</li> <li>• An initiative to promote the creation of high quality, higher and degree apprenticeships in priority sectors; and to consult on proposals for additional support.</li> </ul> </li> <li>iii. a further report be received in spring 2018, with updated information on</li> </ol>

	<p>apprenticeships in the Tees Valley, including an assessment of the operation of the new Apprenticeships Levy within our area, and recommendations for further actions by the Combined Authority and/or central government.</p>
<b>TVCA 19/17</b>	<p><b>EXERCISE OF COMBINED AUTHORITY BORROWING POWERS</b></p> <p>Consideration was given to a report updating the Cabinet on progress in establishing the Combined Authority's borrowing powers, and the principles to be established for use of those powers to deliver on our ambitious plans for investment.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. the paper be noted;</li> <li>ii. Cabinet agree in principle to the Combined Authority receiving borrowing powers, with maximum local flexibility subject to the application of the Prudential Code.</li> </ul>
<b>TVCA 20/17</b>	<p><b>INVESTMENT CO-OPERATION WITH TEESSIDE PENSION FUND</b></p> <p>Consideration was given to a report which set out a proposal to enter in to a Memorandum of Understanding with Teesside Pension Fund. The pension fund had proposed that 5% of its funds (approximately £200m) should be made available to support projects which promote the economic development of the Tees Valley, and that this investment programme is developed in partnership with Tees Valley Combined Authority. The Cabinet welcomed the report and acknowledged the opportunities that could be presented.</p> <p>It was advised that the Memorandum of Understanding had now been approved by the Pension Fund.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. the commitment of the Teesside Pension Fund to direct investment to support local economic development, and to deliver this in partnership with the Combined Authority, be welcomed;</li> <li>ii. the progress in developing a joint approach to the identification and development of investment proposals be noted;</li> <li>iii. the Memorandum of Understanding be signed, and the authority to finalise the agreement in partnership with the Teesside Pension Fund be delegated to the Managing Director.</li> </ul>
<b>TVCA 21/17</b>	<p><b>TRANSPORT PLAN UPDATE</b></p> <p>Cabinet considered a report which provided an update on progress with the Strategic Transport Plan, following consultation on the Transport Framework. It was noted that the plan would have strong links to the Strategic Economic Plan and the Tees Valley Investment Plan and would also provide a framework for</p>

	<p>partnership working with Department for Transport, Highways England, Network Rail and Transport for the North.</p> <p>The Cabinet noted their disappointment that national plans for electrification had been cancelled and agreed to continue to try to push for this locally. It was acknowledged however that rail gauge enhancements were equally as important for increasing capacity.</p> <p>It was advised that the Transport Plan would be submitted to the Cabinet early in 2018.</p> <p>RESOLVED that the update on progress towards development of a Strategic Transport Plan and supporting documents be noted.</p>
<b>TVCA 22/17</b>	<p><b>TRANSPORT FOR THE NORTH – INCORPORATION AS A SUB-NATIONAL TRANSPORT BODY</b></p> <p>Consideration was given to a report requesting the consent of the Cabinet to the making of regulations by the Secretary of State to establish Transport for the North (TfN) as a Sub-National Transport Body under section 102E of the Local Transport Act 2008. The consent of each Constituent Authority of TfN was required to the making of regulations by the Secretary of State.</p> <p>Cabinet was also asked to approve in principle the transfer of Rail North Limited to TfN following its inauguration, and the signing of a new Rail Franchise Management Agreement with TfN replicating as far as possible the arrangements previously entered into in respect of Rail North Limited.</p> <p>The Mayor thanked the Lead Cabinet Member, Councillor Bill Dixon, for the work done to date on transport.</p> <p>RESOLVED that consent be given to:</p> <ul style="list-style-type: none"> <li>i. the making by the Secretary of State of Regulations under section 102E of the Local Transport Act 2008 to establish Transport for the North as a Sub-National Transport Body;</li> <li>ii. the transfer of Rail North Limited to TfN so that it can be subsumed within TfN;</li> <li>iii. the signing of a new Rail Franchise Management Agreement with TfN replicating as far as possible the current Rail North Limited Members Agreement.</li> </ul>
<b>TVCA 23/17</b>	<p><b>CARBON CAPTURE AND STORAGE</b></p> <p>Consideration was given to a report updating the Cabinet on the Carbon Capture and Storage (CCS) project. It was noted that Tees Valley was now home to the UK's leading CCS project, Teesside Collective, which was a consortium of large industrial companies, supported by NEPIC and co-ordinated by the Combined Authority.</p> <p>Cabinet noted that the government, through the Department of Business, Energy and Industrial Strategy (BEIS), was refocusing its policy approach to CCS, which</p>

	<p>was expected to be published in the autumn. Teesside Collective had an extensive engagement and communication programme in order to influence this policy, and to secure government agreement to resolve regulatory barriers, provide initial financial support for the build and operation of a major project in this region.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. the report and progress that has been made be noted;</li> <li>ii. support for Teesside Collective continue, and its development of proposals for industrial-scale CCS;</li> <li>iii. proposals to Government for CCS, through the Clean Growth Plan, be supported, with Tees Valley at the forefront of its development</li> </ul>
<b>TVCA 24/17</b>	<p><b>BUSINESS COMPASS GROWTH SPECIALIST PROVISION</b></p> <p>Consideration was given to a report regarding Business Compass Growth specialist provision. The report informed Cabinet of a bid that had been submitted to the European Regional Development Fund for a Specialist Support Service, and requested confirmation of the match funding. The service would form part of Tees Valley Business Compass and be complementary to the existing Tees Valley Business Compass Growth Service (“the Growth Service”).</p> <p>The Cabinet discussed the implications of Brexit for the future of European funding and the importance of securing replacement funding.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. the match funding of £511k be approved and that the submission of a final ERDF application for the enhanced business compass specialist advice service on 11<sup>th</sup> July be noted;</li> <li>ii. the Combined Authority makes the case to NEA2F and DCLG to unlock legacy funds allocated to the Tees Valley, to help reduce our contribution to the match;</li> <li>iii. subject to a successful ERDF application, and use of existing procurement rules, the Combined Authority place an additional c. £1m (including fund management costs) of ERDF funds in to the existing business compass investment fund, currently held by Business Enterprise Group.</li> <li>iv. subject to a successful ERDF application, the Combined Authority procure the specialist growth advice service.</li> </ul>
<b>TVCA 25/17</b>	<p><b>GOVERNANCE AND APPOINTMENTS</b></p> <p>Consideration was given to a report detailing a number of issues for decision by Cabinet, relating to Governance of the Combined Authority, delegation of decisions and appointments</p>

	<p>Cabinet discussed the proposal for a financial delegation, to be signed off jointly by the Mayor and the Cabinet Member, following a proposal put to them by the Managing Director. The Cabinet agreed that the delegation would allow for more efficient decision making between Cabinet meetings, but reiterated the importance of transparency of decisions. The Cabinet agreed to increase the maximum limit of the delegation to £1 million, to reflect the higher scale of investments being dealt with at the Tees Valley level, subject to appropriate transparency, reporting and monitoring procedures.</p> <p>A further appointment was agreed in the statutory appointments, Councillor Matt Vickers to replace Councillor Phil Dennis on the Overview and Scrutiny Committee.</p> <p>Councillor Akers-Belcher, supported by Councillor David Budd, advised that Councillor Sue Jeffrey should be appointed as Vice-Chair to the South Tees Development Corporation. The Mayor suggested that this was a matter for decision by the South Tees Development Corporation Board.</p> <p>RESOLVED that:</p> <ul style="list-style-type: none"> <li>i. the delegation be approved, with the financial limit to be set as £1 million;</li> <li>ii. the appointments, as set out in the appendix, be approved;</li> <li>iii. Julie Gilhespie be appointed as Finance Director;</li> <li>iv. The appointments to the South Tees Development Corporation be approved (to be published when the corporation is formally established on 1<sup>st</sup> August 2017).</li> </ul>
<b>TVCA 26/17</b>	<p><b>DATE OF NEXT MEETING</b></p> <p>The next meeting would be on Friday 29<sup>th</sup> September.</p>

# FINANCE AND POLICY COMMITTEE

22 November 2017



**Report of:** CORPORATE MANAGEMENT TEAM

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2018/19 TO 2019/20 AND FINANCIAL OUTLOOK  
FROM 2020/21

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## 1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

## 2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to update the MTFS and to enable Members to finalise the detailed 2018/19 budget proposals to be referred to Council on 14<sup>th</sup> December 2017.

## 3.0 BACKGROUND

3.1 At Finance and Policy Committee on 24<sup>th</sup> July 2017 the detailed budget timetable for 2018/19 was approved. In accordance with this timetable budget proposals are scheduled to be considered by Council in December 2017 and the level of Council Tax will be determined by Council in February 2018.

3.2 MTFS update reports were considered by Finance and Policy Committee on 24<sup>th</sup> July 2017 and 18<sup>th</sup> September 2017. This reports repeats the key issues identified in these earlier reports to ensure all Members have the same information when they consider the budget proposals at Council in December. As stated in previous reports, despite the impact of continuing austerity and cuts in Government funding, the Council needs to remain ambitious for the town to achieve the objectives set out in the approved Council Plan.

3.3 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;

- Building better beginnings and futures for our children and young people;
  - Providing effective leadership based upon innovation and efficiency.
- 3.4 A report to Council on 23<sup>rd</sup> February 2017 approved the MTFS 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of £1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years
- 3.5 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
<b>Gross Deficit</b>	<b>7.314</b>	<b>3.758</b>	<b>11.072</b>
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
<b>Sub Total – Deficit after Council Tax increases and forecast housing growth</b>	<b>4.955</b>	<b>2.540</b>	<b>7.495</b>
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
<b>Cuts still to be identified</b>	<b>0.822</b>	<b>1.498</b>	<b>2.320</b>

- 3.6 Updates of the MTFS have confirmed the financial forecasts detailed in the previous paragraph and also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.7 The MTFS forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £0.400m.



3.8 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.

3.9 For Local Authorities policies implemented by the Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services;
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a report warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarters of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy with the introduction of the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils;

- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

### **3.10 Autumn Budget 2017 and Local Government Finance Settlement for 2018/19**

- 3.11 The Chancellor previously announced that the Government will move to a single major fiscal event each year and from 2017 this will mean the Government's budget will be published in the Autumn. The Chancellor has indicated that the 2017 Autumn statement will be presented to Parliament on 22<sup>nd</sup> November 2017. Details of any announcements which impact on the Council will be reported to a future meeting. It is hoped that the Chancellor will clarify the Government's position in relation to the public sector pay cap, and if this is lifted confirm that additional funding will be provided. If the cap is lifted, but additional funding is not provided this will increase the budget deficits facing the Council.
- 3.12 The Local Government Finance Settlement for 2018/19 will be issued in December 2017 and is the third year of the Government's four year settlement offer. As 97% of local authorities signed up for a four year settlement it is not anticipated that there will be any significant changes to the funding levels previously announced by the Government. If there are any changes details will be reported to a future meeting.

### **3.13 Financial Outlook 2020/21**

- 3.14 As reported previously the Government did not include legislation in the Queen's speech to introduce 100% Business Rates Retention, or set out a timetable for completing a Fair Funding Review (FFR) to underpin the implementation of 100% Business Rates Retention. The FFR is critically important to addressing imbalances in service needs and the level of Business Rates and Council Tax income generated by individual councils.
- 3.15 These proposals are the most significant changes in the local government funding system since the introduction of 50% Business Rates Retention and will be implemented after the sector has faced nine consecutive years of Government funding cuts.
- 3.16 In late October 2017 the Department for Communities and Local Government issued an initial work plan for completing the FFR to enable a new funding formula and 100% Business Rates retention to be introduced. Under the draft plan these changes will be implemented from April 2020,

which aligns with the end of the current four-year settlement and a fresh Government spending review.

- 3.17 The FFR work plan table implies that individual authorities will not know the detailed impact of the FFR until summer or autumn at the earliest 2019. The work plan shows that the results from the children's services review will not be completed until October 2019, which is only six weeks before the provisional local government funding settlement announcement for 2020/21. This timetable makes financial planning for 2020/21 extremely challenging as key funding allocations will not be known until about eight weeks before the 2020/21 budget needs to be set. Further updates will be provided when more information becomes available.
- 3.18 In the meantime, the uncertainty regarding the outcome of the FFR underlines the importance of setting balanced budgets for 2018/19 and 2019/20, and of minimising the use one-off resources to support the 2019/20 budget.

#### **4.0 STRATEGY FOR MANAGING RESIDUAL BUDGET DEFICITS 2018/19 AND 2019/20**

- 4.1 As reported in September further work was completed over the summer to identify additional corporate and departmental budget savings for 2018/19 and 2019/20. These issues have also been considered by individual policy committees. In broad terms Members accept that these proposals are necessary to address the impact of continuing cuts in Government funding and the following issue was identified as requiring referral to Council as part of the MTFS proposals:

- **Finance and Policy Committee**

As the 18 month period stated by the owners to the CPO inspector for completing those works expires in December the Committee considered the options in relation to the use of the £0.600m of resources previously allocated for the Longscar redevelopment. Members determined that the final budget proposals to be referred to Council in December should recommend the transfer of this funding to the overall Regeneration capital budget for the town. This proposal is included within the recommendations at the end of this report.

- 4.2 The additional savings considered by individual Policy Committees will enable a balanced budget to be set for 2018/19 and reduce the current forecast 2019/20 deficit to £1.363m, as summarised below:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified – detailed in paragraph 3.5	822	1,498	2,320
Less Corporate savings/updated planning assumptions - details paragraph 4.4	(544)	(135)	(679)
Less Additional Departmental savings - details included in Appendix B.	(278)	0	(278)
<b>Revised Savings still to be identified</b>	<b>0</b>	<b>1,363</b>	<b>1,363</b>

4.3 The revised 2019/20 deficit excludes:

- the impact of ongoing Looked after Children's budget pressures. If this issue is not addressed through a combination of managing demand and / or the Government providing additional funding the 2019/20 deficit may increase by **£2.5m** i.e. a total forecast deficit of approximately **£3.9m**;
- the impact of the Government ending the public sector pay cap and not providing Councils with additional funding to meet increased pay costs. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.

4.4 Details of the '**Corporate savings/updated planning assumptions**' are summarised in the following table and further details are provided in Appendix A:

**Corporate savings/updated planning assumptions**

	2018/19 Pressures /(Saving) £'000	2019/20 Pressures /(Saving) £'000	Total Pressures /(Saving) £'000
National Living Wage increases	(400)	(350)	(750)
IT inflation reduction	(100)	0	(100)
General Fund inflation	(77)	0	(77)
Specific Grant regimes inflation	(56)	0	(56)
Council Tax base	(160)	0	(160)
New Home Bonus	245	15	260
Waste Contract	80	0	80
Members Allowances	74	0	74
Income Risk Contingency	(150)	200	50
<b>Total corporate savings/updated planning assumptions</b>	<b>(544)</b>	<b>(135)</b>	<b>(679)</b>

4.5 Details of the departmental savings proposals for 2018/19, covering initial proposals approved in February of £1.685m and the additional savings proposals identified for 2018/19 of £278,000, have been considered by individual policy committees and are summarised in Appendix B. Departmental savings proposals for 2019/20 approved in February are summarised in Appendix C.

4.6 In addition it is recommended that Inspirations Garden Centre is closed as despite officer's best efforts to address the financial performance of this facility it continues to operate at a loss. It has also not been possible to secure an alternative provider to run the café. Closure of the garden centre will enable the Council to market this site for redevelopment, including the Cemetery Lodge and Car Park. If Members approve this proposal a further report on the development opportunities will be brought to a future meeting.

#### 4.7 **Child and Family Poverty Initiatives**

4.8 The 2016/17 budget set aside one-off resources to support Child and Family Poverty initiatives and detailed proposals for using these resources have been approved by Finance and Policy Committee. There is a separate report on the agenda detailing proposals for allocating the remaining resources.

4.9 As outlined in the Reserves Review report a one-off amount of £24,000 is available to transfer to the Child and Family Poverty Reserve from the residual balance of the Community Grant Pool reserve.

4.10 As agreed at the Joint Finance and Policy / Children's Services Committee meeting on 12<sup>th</sup> June 2017 additional funding for Child and Family Poverty initiatives may be available depending on the outcome of the submission to the Tees Valley Combined Authority for funding towards the Centre for Excellence and Creative Arts. If successful, then all, or part of the £136,000 Trading Standards fine income will not be needed for that project and will be transferred to the Child and Family Poverty Reserve.

4.11 In addition, a recurring amount of £20,000 is available from a saving in external audit fees arising from the Council's decision to join the national procurement arrangements for external audit services.

4.12 The resources identified in the previous paragraphs could either be allocated to support Child and Family Poverty Initiatives, or other priorities identified by Members.

#### 5.0 **FIVE YEAR CAPITAL PLAN**

5.1 The February 2017 MTFS report indicated that the Council will continue to play a significant role in the physical regeneration and development of the town over the next five years. The Council Plan set out the key regeneration

and development priorities and indicated that many of these issues have a medium to longer term lead time.

- 5.2 To deliver major parts of the five year capital plan the Council will need to attract external grants and private sector investment. To secure this investment the Council needs to provide the confidence to invest in Hartlepool and this has been underpinned by actions taken to progress the Local Plan, master plan major development sites (including sites for housing developments), the acquisition of the Waterfront site, support of the CCAD development by relocating the former depot site and the completion of the Housing Market Renewal programme.
- 5.3 Work to secure future external grants and private sector investment is progressing and details will be reported to future meetings when funding is secured.
- 5.4 The following table details the Council's key regeneration and development priorities and the progress made since the February 2017 MTFS:

Key Priorities	Progress since February 2017 MTFS
Development of the Waterfront	Funding of £0.680m secured for feasibility and detailed business case design.
Development of Church Street	External Funding of £5.782m secured to match fund Council funding of £2.706m. Works commenced October 2017.
Development of Sports and Leisure facilities	Officers continue to explore potential External Funding opportunities.
Development at Seaton Carew	External funding of £0.863m secured towards overall £1.3m improvement scheme which is now underway.
Investment in new roads to enable housing developments to be implemented	Funding bids submitted for Elwick bypass.
Continued investment in social housing	HRA business plan considered by Finance and Policy Committee 30.10.17. External funding bids for £0.355m will be submitted to the HCA to match fund HRA Prudential Borrowing.
Civic and community buildings	Schemes to be funded from the £1m Building Condition budget of £552k have been approved by Finance and Policy Committee.  Detailed plans to invest £0.8m in the Borough Hall have been approved by Finance and Policy Committee.

- 5.5 The February 2017 MTFS earmarked one off Council resources of £4.949m towards the achievement of these priorities.
- 5.6 In addition £1.5m was allocated for capital investment to address priorities identified during the 'Your say, our future' consultation in relation a broad range of local quality of life, public realm and infrastructure investment. On 27<sup>th</sup> March 2017 Finance and Policy Committee approved schemes to the value of £0.345m. Proposals for the remaining funding will be submitted to a future meeting.
- 5.7 Capital investment in schemes funded from specific Government grants for Schools, Disabled Facilities Grant and the Local Transport Plan will also continue over the next three years. Indicative Government funding allocations for 2017/18 to 2019/20 are detailed in Appendix D.
- 5.8 The Council will also use Prudential Borrowing to replace operational vehicles as this is the most cost effective way of funding these assets over more than one financial year within existing departmental revenue budgets. Details of the replacement programme for 2018/19 and 2019/20 are also detailed in Appendix D.
- 5.9 The four Tees Valley Authorities have negotiated an extension of the existing waste disposal contract to 2025, which secures the best value for the four authorities. As part of this arrangement the four authorities will make a lump sum payment in March 2018 to pay for works to ensure the facility remains operational until 2025. This arrangement secures a significant financial saving compared to the option of paying for these works through an increase in the annual contract price over the period 2020 to 2025. To facilitate this one off payment the Council will make a funding swap and use revenue resources already set aside for other capital schemes. This will then be replaced with Prudential Borrowing and the resulting repayment costs of £80,000 have been included in the revenue budget, as detailed in section 4.

## **6.0 RISK ISSUES AND ROBUSTNESS OF BUDGET FORECASTS – DIRECTOR OF FINANCE AND POLICY'S PROFESSIONAL ADVICE**

- 6.1 As indicated in previous years the Local Government Act 2003 introduced a statutory requirement on an Authority's Section 151 Chief Finance Officer to advise Members on the robustness of the budget forecasts and the adequacy of the proposed level of reserves. If Members ignore this advice, the Act requires the Authority to record this position. This later provision is designed to recognise the statutory responsibilities of the Section 151 Officer and in practice is not a situation I would expect to arise for this Authority.
- 6.2 In response to the continuing financial challenges facing councils CIPFA (Chartered Institute of Public Finance and Accountancy) issued guidance last year reminding Section 151 Officers and their authorities of the statutory responsibilities when setting budgets. This advice reinforces statutory

requirements and provides practical guidance to help Section 151 Officer's discharge their responsibilities.

6.3 The Director of Finance and Policy can advise Members that in his professional opinion the budget proposals for 2018/19 are robust and this advice is based on the following factors being in place:

- A risk assessment of the measures identified to address the gross budget deficit of £7.314m has been completed which identifies those measures which can be implemented easily and the proposals requiring closer management and / or further action to ensure they are achieved, as summarised overleaf;

<b>Measure to reduce gross budget deficit</b>	<b>£'m</b>	<b>Risk</b>	<b>RAG rating</b>
Forecast Council Tax increase and housing growth	2.359	Government change referendum limits or housing growth not achieved. This is assessed as low risk as the Government have recently consulted on the proposed referendum limits for 2018/19.	Amber/ Green
Corporate savings	0.544	None	Green
Budget Support Fund	2.448	Funding is not available. This is low risk as funding has been earmarked and does not need to be reallocated to offset the 2017/18 forecast budget overspend	Green
Savings Proposals 2018/19	1.963	Council does not approve savings proposal to be considered in February 2018.	Amber
	<b>7.314</b>		

- The assumption that Members will approve the proposals identified to bridge the 2018/19 budget gap and proposals to reduce the budget gap for 2019/20. If these proposals are not approved the budget forecasts will not be robust as overall expenditure will inevitably exceed available resources;
- The MTFS forecasts are predicated on significant growth in Council Tax income over the next two years, reflecting both housing growth and annual increases in line with the Government's national Council Tax policy,



including implementing annual Adult Social Care precepts. If these increases are not achieved there will be an increase in the forecast budget deficits and the budget cuts which will need to be implemented;

- The assessment by the Corporate Management Team of the achievability and sustainability of proposed budget reductions for 2018/19. The assessment of the proposed savings reflects the process adopted for identifying, managing and implementing these measures. This includes action taken in the current year to implement proposals early to ensure a full year saving is achieved in 2018/19. It also reflects a risk assessment of proposed savings based on an assessment of the level of pay, non-pay savings and increased income savings. In relation to the level of pay savings for 2018/19 this reflects management action taken to hold posts vacant where possible to avoid the need for compulsory redundancies as part of the 2018/19 budget process;
- The detailed work undertaken by individual Directors (and their senior managers) in conjunction with my staff regarding the preparation of detailed budget forecasts, including income forecasts;
- Prudent provision for the cost of living pay award impacting over the next three years and the costs of implementing both the Hartlepool Living Wage and the National Living wage. There is a risk that if the Government removes the 1% pay cap and does not provide additional funding for pay awards above 1% that the forecast budget deficit will increase. Each additional 1% pay award not funded by the Government would increase the budget deficit by approximately £0.4m;
- A prudent provision for inflation on non pay budgets and income budgets for the next three years. Following the Brexit referendum the risks in relation to inflation have increased. These factors will need to be reviewed on an annual basis;
- A prudent view of the net costs of the Authority's overall cash flow, including the repayment of Prudential Borrowing;
- An assessment of financial risks and the measures to mitigate these risks as detailed in Appendix E;
- An assessment of the key financial assumptions underpinning the 2017/18 budget as detailed in Appendix F;
- An assessment of the impact of using Departmental Reserves to help manage demand risk over the next three years and the arrangements for managing demand. As indicated in section 4 the MTFS for 2018/19 is predicated on using significant one off Departmental Reserves to manage the impact of ongoing Looked after Children's budget pressures. This strategy should, provided there is no further increase in caseload, avoid these issues impacting in 2018/19. However, if this issue is not addressed through a combination of managing demand and / or the Government

providing additional funding the 2019/20 deficit may increase by £2.5m i.e. a total forecast deficit of approximately £3.9m. This area will be monitored carefully and updates included in the 2018/19 budget monitoring reports.

- 6.4 Previous reports identified a number of significant financial risks over the period of the MTFS and indicated that there may need to be flexibility around the timing of funding for individual risks. These risks remain and strategies adopted for managing these issues also underpin the Director of Finance and Policy advice on the robustness of the budget. These issues cover the following:

**i) Redundancy and Early Retirement costs**

This risk reflects the scale of the budget deficits over the MTFS period and the impact these cuts will have on staffing levels. For the 2018/19 these costs will mainly relate to voluntary redundancies as management action is currently anticipated to minimise compulsory redundancies for 2018/19. However, this is not sustainable and given the scale of budget cuts which will be required over the period of the MTFS there will be significant redundancy and early retirement costs in future years. Therefore, the existing provision for redundancy and early retirement costs is still the level recommended by the Director of Finance and Policy and the Corporate Management Team.

**ii) Achievement of remaining Capital Receipts target of £2.753m**

This risk has reduced significantly over the last two years owing to the completion of land sales. As previously reported the capital receipt in relation to the Hart land sale is anticipated to be the largest capital receipt achieved over the next three years but owing to the phased basis on which monies are likely to be received it will not make a significant contribution to the target until 2020/21. In the short-term the position can be managed on a temporary basis using Prudential Borrowing.

**iii) Business Rate Retention Risks**

Financial risks continue in relation to Business Rates income over the period 2018/19 to 2019/20, including appeals against the 2017 rating list and risks arising from NHS Foundation Trusts applying for Mandatory Business Rate Relief. This is a national issue and the Local Government Association has raised concerns regarding this issue with the Department for Communities and Local Government as the NHS funding regime is based on Business Rates being payable by individual Trusts.

From 2020/21 there is a risk that the implementation of the 100% Business Rates retention system will place additional financial risks on local authorities. These risks will need to be assessed when the Government provide more details on how the 100% Business Rate retention system will operate, including the arrangements for equalising resources across the country. In addition, at a national level, the value of additional Business

Rates income to be allocated to local authorities will exceed Revenue Support Grant which will be removed when the 100% system is implemented. This is an extremely complex issue and whilst the Government may get the balance of additional services and funding right at a national level, there is a significant risk that this may not be the case at a local level. There have been a number of examples over recent years where additional responsibilities transferred to the Council have not been matched by additional funding allocations, particularly where additional responsibilities are driven by deprivation factors. For example, localisation of Council Tax support has had the greatest impact on deprived areas and these authorities suffered disproportionate grant cuts over the last 6 years.

- 6.5 The robustness advice also reflects an assessment of the reserves being used to support the budget and the reserves earmarked to manage financial risks and to fund one off commitments. These issues are considered in the detailed review of reserves report elsewhere on the agenda for this meeting.

## **7.0 EQUALITY AND DIVERSITY CONSIDERATIONS**

- 7.1 Members are aware from previous MTFS reports that in making financial decisions the Council is required to demonstrate that those decisions are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups. The Equality and Human Rights Commission has published a guide for decisions-makers which has been used by Officers assessing the impact of individual savings proposals.
- 7.2 Equality Impact Assessments (EIA) have therefore been undertaken where required and have been included as part of the proposal reports to Policy Committee (separate booklet issued with agenda papers) to enable Members to satisfy themselves that they are able to consider fully the potential impact of the proposed changes when making their decisions. Each EIA has identified whether:
- There is no impact or no major change to the service;
  - adjustments or changes should be made to the proposal;
  - the proposal should continue even though there may be an adverse impact, or;
  - the proposal should be stopped or removed.
- 7.3 An overall central assessment has been undertaken to determine the cumulative impact of the savings proposals on each individual “protected characteristic”. This assessment demonstrates that the savings proposals do not have an overall potential impact on any one area and there is no requirement to arrange further corporate consultation in relation the budget proposals.

## **8.0 LEGAL CONSIDERATIONS**

- 8.1 There are no specific legal considerations relating to this report.

## **9.0 CHILD AND FAMILY POVERTY**

- 9.1 The proposals to allocate additional funding to the Child and Family Poverty Reserve will help address Child and Family Poverty issues. There are no other specific child and family poverty considerations relating to this report.

## **10.0 STAFF CONSIDERATIONS**

- 10.1 An assessment of the staffing impact of the 2018/19 savings proposals approved in February 2017, revisions to these proposals and the additional 2018/19 proposals has been completed. This has identified that 25 posts are proposed to be deleted from 1<sup>st</sup> April 2018 as part of the recommended savings proposals.
- 10.2 This includes 15 posts which can be managed through a combination of managing vacancies, or approving voluntary redundancies where this can be accommodated within operational requirements. At this stage it is anticipated that the remaining 10 posts may unfortunately result in compulsory redundancies.
- 10.3 However, as was the case in previous years, the Corporate Management Team will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, to reduce the number of compulsory redundancies. This approach will also seek to maximise redeployment opportunities.

## **11.0 ASSET MANAGEMENT CONSIDERATIONS**

- 11.1 There are no specific assets management considerations relating to this report.

## **12.0 CONSULTATION**

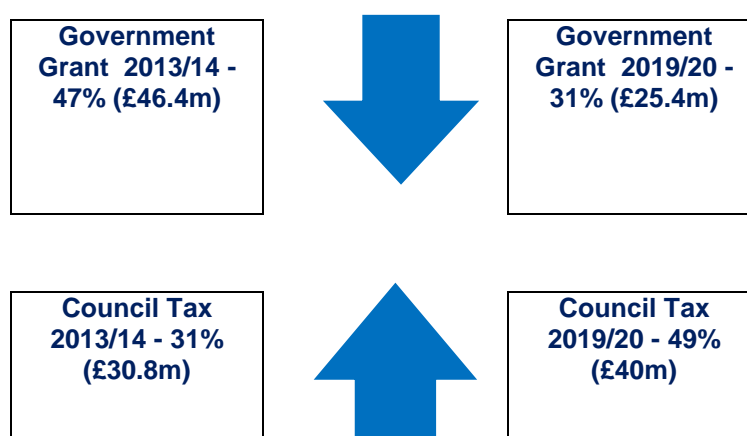
- 12.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. The additional savings proposals for 2018/19 and 2019/20 mainly relate to corporate savings or departmental savings which can be implemented without impacting on services. Therefore, consultation with the Trade Unions and Business Sector will focus on providing an update of the position outlined in this report.

## **13.0 CONCLUSIONS**

- 13.1 The Government has previously confirmed that Local Government funding cuts will continue until 2019/20. This means the sector will have faced nine consecutive years of funding cuts – which is unprecedented.

- 13.2 The cuts in Government funding have had a disproportionate impact on Councils, including Hartlepool, which were more dependent on Government grant in 2010/11. These authorities also had least ability to fund services locally from Council Tax owing to the make-up of the Council Tax base – i.e. a high proportion of properties in the low Council Tax bands. For example, 56% of Hartlepool's properties are in Band A, compared to 25% nationally.
- 13.3 Since the current funding system was introduced in 2013/14, which included the implementation of 50% Business Rates retention, there has been a fundamental shift in the balance of funding for council services. This shift will continue until at least 2019/20 and means that a lower proportion of spending is funded from Government Grant and a higher proportion from Council Tax. This shift has been significant for Hartlepool as highlighted in the following table:

Shift in Balance of Funding 2013/14 to 2019/20



- 13.4 At the same time as managing significant cuts in funding Councils have also faced increased financial pressures from unfunded legislative changes, for example the National Level Wage. In addition, demand for services, particularly over the last few years in relation to Adult Services and Children's Services has increased.
- 13.5 The Government recognised the Adult Social care pressures through the Adult Social Care Council Tax precept and the provision of additional funding in the March 2017 budget.
- 13.6 The additional March funding for Adult Social Care is front loaded and therefore does not provide a permanent solution to Adult Social Care financial pressures. The Government has indicated they will be consulting on proposals to develop a long term funding model for Adult Social Care. Details will be reported to Members when this information becomes available.

- 13.7 The Government has not provided additional funding for Children's Services and this issue is becoming a priority for Local Government. The Government FFR work plan shows that the results from the children's services review will not be completed until October 2019, which is only six weeks before the provisional local government funding settlement announcement for 2020/21. A recent Local Government Association report indicated that 75% of Councils over spent on Children's Services in 2016/17 and by 2020 a national funding gap of £2 billion is forecast.
- 13.8 As Members are aware Children's Services pressures have previously been identified as the most significant financial risk facing the Council. To address this issue significant one off resources have been allocated to support this area in 2017/18 and 2018/19. Additional one off resources will be required in 2018/19 to provide a longer lead time to either reduce demand, which will be extremely challenging, or for the Government to provide additional funding. If neither of these measures is forthcoming the forecast 2019/20 budget deficit will increase by £2.5m.
- 13.9 To address the significant financial challenges facing the Council in 2018/19 and 2019/20 the Council approved a multi-year financial strategy in February 2017. This strategy is critically dependant on:
- Implementing planned Council Tax increases in line with the Government's policy of continuing to shift the funding of local services from Government grant (i.e. national taxation) to Council Tax. This includes the Social Care precept;
  - Achievement of forecast housing growth;
  - The phased use of reserves to help manage budget reductions over the period 2017/18 to 2019/20 and;
  - Achieving proposed savings;
- 13.10 The proposals in this report detail changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 budget shortfalls to enable a balanced budget to be set.
- 13.11 The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 savings of £1.363m will be developed during 2018/19. As indicated early in the report this could increase by a further £2.5m if Looked after Children's pressures cannot be reduced, or the Government do not recognise this as a national issues and provide additional funding.
- 13.12 Achievement of further savings for 2019/20 will be challenging and will require further changes and the prioritisation of services. To put this into context the net General Fund budget in 2019/20 will be approximately £81

million, compared to nearly £91m in 2013/14. This is a cash reduction of £10m. The real terms reduction after reflecting inflation and cost pressures since 2013/14 is nearer £18m.

- 13.13 Clearly, the Council will not be able to provide the same level of service in 2019/20 as it did in 2013/14 with a cash budget reduced from £91m to £81m. Therefore, whilst a balanced budget can be set for 2018/19 on the basis of proposals detailed in this report, there will be significant challenges in achieving a balanced budget for 2019/20.
- 13.14 Many of the measures implemented over the last seven years cannot be repeated and the Council has already reduced the 2010/11 staffing baseline by 13% - a reduction of 488 posts
- 13.15 The Government's responses to the financial challenges facing Children's Services and Adult Services will be key to determining the scale of cuts required in 2019/20 and the future sustainability of Local Government.
- 13.16 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.
- 13.17 Based on recent Government announcements it is anticipated that 100% Business Rates Retention and the results of the FFR review will be implemented for 2020/21. However, based on the Government's work plan for completing the necessary detailed work to implement and consulting on these fundamental changes to the local government funding system, it is not expected that the impact on individual authorities will be known until summer or autumn 2019 at the earliest. This will make financial planning for 2020/21 extremely challenging and underlines the importance of setting a balanced budget for 2019/20, which minimises the use of reserves.

## **14.0 RECOMMENDATIONS**

- 14.1 It is recommended that Members of the Committee approve the following proposals are referred to full Council on 14<sup>th</sup> December 2017:-
  - (i) As approved by this Committee on 18<sup>th</sup> September 2017 to note that the 18 months period stated by the owners to the CPO inspector for completing the works expires in December 2017. As these works have not commenced Members determined to seek Council approval to transfer the £0.600m of funding previously earmarked for this project to the overall Regeneration capital budget for the town;
  - (ii) Approve the departmental savings proposals for 2018/19 and 2019/20 detailed in Appendices B and C, including the closure of Inspirations Garden Centre, and to note that these proposals are largely

unchanged from the initial savings proposals approved in February 2017;

- (iii) Approve the new 2018/19 and 2019/20 corporate savings detailed in paragraph 4.4;
- (iv) Note that further savings will need to be identified to address the currently forecast residual budget deficit for 2019/20 of £1.363m and to note that this deficit may increase to £3.863m if additional Government funding is not provided for Children's Services pressures, or demand for these services cannot be reduced;
- (v) Note that if the Government ends the public sector pay cap of 1% and does not provide additional funding that each additional 1% increase above the current cap will increase costs by £0.400m per annum, which may increase the current 2018/19 and 2019/20 budget deficits;
- (vi) Note that as 2018/19 is the third year of a four year settlement for Local Government there are unlikely to be any changes to the previously announced Government funding allocations for 2018/19. In the unlikely event that there are any changes when the 2018/19 Local Government Finance Settlement is issued details will be reported to a future meeting;
- (vii) Approve the proposal that the one-off residual balance on the Community Pool reserve (£24,000) and recurring External Audit fee saving (£20,000) are transferred to the Child and Family Poverty Reserve and to seek delegated authority to Finance and Policy Committee to determine use of these resources;
- (viii) Approve the recommendation agreed at the Joint Finance and Policy / Children's Services Committee meeting on 12<sup>th</sup> June 2017 that if the submission to the Tees Valley Combined Authority for funding towards the Centre for Excellence and Creative Arts is successful that all/part of the £136,000 Trading Standards fine income will not be needed for that project and will be transferred to the Child and Family Poverty Reserve;
- (ix) Approve the detailed capital expenditure proposals detailed in Appendix D, which reflects the issues detailed in section 5. To note that any changes to the provisional scheme/programme specific Government allocations will be reported to the relevant Policy Committee once final allocations are known;
- (x) Note the advice of the Director of Finance and Policy in relation to budget risks and robustness advice detailed in section 6.



## **15.0 REASON FOR RECOMMENDATIONS**

- 15.1 To enable the Finance and Policy Committee to approve the 2018/19 and 2019/20 budget proposals to be referred to Council for approval.

## **16.0 BACKGROUND PAPERS**

- 16.1 The following background papers were used in the preparation of this report:-

Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 18th September 2017

## **17.0 CONTACT OFFICERS**

- 17.1 Chris Little  
Director of Finance and Policy  
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Telephone: 01429 523003

**APPENDIX A****CORPORATE SAVINGS/ UPDATED PLANNING ASSUMPTIONS**

	2018/19 Pressures /(Saving) £'000	2019/20 Pressures /(Saving) £'000	Total Pressures /(Saving) £'000
<b>National Living Wage (NLW) increases</b>  <p>The Government is not providing additional funding to councils to meet the additional costs on external contracts arising from the introduction of the NLW.</p> <p>Prudent provisions for forecast annual increases in the NLW were included in the MTFS on the basis of information available at the time. This included the anticipation that the full 'target' NLW would be achieved with equal annual increases.</p> <p>These forecasts have been updated to reflect the impact of continued low levels of pay increases across most private and public sector organisation. As a result it is now anticipated that actual NLW increases over the next two years (2018/19 and 2019/20) will be lower than forecast within the current MTFS. Therefore, it is recommended that the budget provision included for these increases can be reduced.</p> <p>Whilst, this proposal will provide a temporary reduction in the costs of funding the NLW, these additional costs have simply been deferred to 2020/21 and future years.</p> <p>The recommendation to reduce the NLW budget for 2018/19 and 2019/20 does not impact of the Council's approved policy in relation to the Hartlepool Living Wage. The Hartlepool Living Wage will continue to be increased in line with the national cost of living pay award for Local Government employees until such time as the NLW has caught up. At that stage Hartlepool Living Wage will be set at the higher of the NLW, or the Hartlepool Living Wage updated by the Local Government annual pay award.</p>	(400)	(350)	(750)

	2018/19 Pressures /(Saving) £'000	2019/20 Pressures /(Saving) £'000	Total Pressures /(Saving) £'000
<b>IT inflation reduction</b>	(100)	0	(100)
The existing contract includes an efficiency target based on limiting annual contract increases to RPI less 2%. As this increase is less than the inflation provision included in the MTFS forecasts a budget savings will be achieved for 2018/19. The position for 2019/20 will be reviewed, although a saving is not expected at this stage as inflation is forecast to increase.			
<b>General Fund inflation</b>	(77)	0	(77)
The provision for non pay inflation will be reduced from 2.5% to 2.4% for 2018/19.			
<b>Specific Grant regimes inflation</b>	(56)	0	(56)
A small number of recurring grant regimes are provided on a cash basis. The MTFS forecast includes an inflation provision to ensure these services can be maintained. The amount required can be reduced.			
<b>Council Tax base</b>	(160)	0	(160)
Reflects an additional increase in the forecast growth in the Council Tax base for 2018/19.			
<b>New Home Bonus</b>	245	15	260
Reflects the impact of changes in the New Homes Bonus regime which reduces the national amount allocated and a reduction in the period this funding is paid for from 6 to 4 years.			
<b>Waste Contract</b>	80	0	80
Provision to meet increased costs of extending the existing contract to 2025.			
<b>Members Allowances</b>	74	0	74
Reflects full year impact of Independent Remuneration Panel recommendations.			

	2018/19 Pressures /(Saving) £'000	2019/20 Pressures /(Saving) £'000	Total Pressures /(Saving) £'000
<b>Income Risk Contingency</b>	(150)	200	50
This budget is allocated to manage corporate income risks and can be reduced for 2018/19. However, this is a temporary saving and needs to be replaced and topped-up for 2019/20 to reflect increased risk and uncertainty in that year.			
<b>Total corporate savings/updated planning assumptions</b>	<b>(544)</b>	<b>(135)</b>	<b>(679)</b>

**4.1 APPENDIX B****SUMMARY OF SAVINGS 2018/19**

<b>Finance &amp; Policy Committee - Chief Executives Department</b>	<b>2018/19 Savings Approved February 2017 £'000</b>	<b>Additional Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Removal of vacant posts/changes in operational arrangements	171	0	171
Cash freeze on non pay budgets and review of non pay budgets to reflect historic spend	59	0	59
Re-alignment of income budgets to reflect historic trends	70	0	70
<b>Total for Finance and Policy Committee - Chief Executives</b>	<b>300</b>	<b>0</b>	<b>300</b>

<b>Finance and Policy Committee - Regeneration &amp; Neighbourhoods Department</b>	<b>2018/19 Savings Approved February 2017 £'000</b>	<b>Additional Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Community Safety	0	50	50
<b>Total for Finance and Policy Committee - Public Health Grant</b>	<b>0</b>	<b>50</b>	<b>50</b>

<b>Finance and Policy Committee - Public Health Department</b>	<b>2018/19 Savings Approved February 2017 £'000</b>	<b>Additional Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Community Hubs	83	0	83
<b>Total for Community Hubs</b>	<b>83</b>	<b>0</b>	<b>83</b>

**4.1 APPENDIX B****SUMMARY OF SAVINGS 2018/19**

<b>Adult Services Committee - Child and Adult Department</b>	<b>2018/19 Savings Approved February 2017 £'000</b>	<b>Additional Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Review of Prevention and Housing Related Support (Adult Services)	150	0	150
Child & Adult Services - Increased Departmental Salary Abatement Target	0	8	8
Income Generation - Increase room hire and conference income at the two venues managed across Adult Services and Children's Services - CIL and CETL	0	50	50
<b>Total Adult Services Committee:</b>	<b>150</b>	<b>58</b>	<b>208</b>

<b>Children's Services Committee - Child and Adult Department</b>	<b>2018/19 Savings Approved February 2017 £'000</b>	<b>Additional Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Other - to be identified; this will be achieved by implementing the following savings:-			
- Children's 5-19 Activities	160	0	160
- Children's Early Intervention - deletion of vacant posts; ceasing cafe facility at Rossmere Children's Centre; deleting an admin post; non-pay savings and core costs associated with Rift House and St Helen's children's centre budgets following service provision ceasing at these sites and transferring to the respective schools	248	0	248
Increased Departmental Salary Abatement	92	0	92
Education Services Income Generation	30	0	30
Children Services Income	10	0	10
<b>Total Children's Services Committee:</b>	<b>540</b>	<b>0</b>	<b>540</b>

**4.1 APPENDIX B****SUMMARY OF SAVINGS 2018/19**

<b>Regeneration Services Committee - Public Health Department</b>	<b>2018/19 Savings Approved February 2017 £'000</b>	<b>Additional Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Service Reviews #	100	0	100
<b>Total Regeneration Services Committee (Regeneration and Neighbourhoods)</b>	<b>100</b>	<b>0</b>	<b>100</b>

# includes savings of £30,000 to be delayed to 2019/20 by using departmental reserves in 2018/19 to provide time to explore alternative funding options.

<b>Neighbourhood Services Committee - Regeneration and Neighbourhoods Department</b>	<b>2018/19 Savings Approved February 2017 £'000</b>	<b>Additional Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Transport and Infrastructure	50	0	50
Environmental Services	360	0	360
Traffic and Transport	0	40	40
Sustainable Transport	0	20	20
Highways Trading	0	20	20
Passenger Transport	0	40	40
<b>Total for Neighbourhood Services Committee</b>	<b>410</b>	<b>120</b>	<b>530</b>

<b>Regeneration Services Committee - Public Health Department</b>	<b>Proposed Savings 2018/19 £'000</b>	<b>Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Public Protection	25	0	25
Sport and Recreation	50	0	50
<b>Total Regeneration Committee (Public Health General Fund Savings)</b>	<b>75</b>	<b>0</b>	<b>75</b>

**4.1 APPENDIX B****SUMMARY OF SAVINGS 2018/19**

<b>Regeneration Services Committee - Regeneration &amp; Neighbourhoods Department</b>	<b>Proposed Savings 2018/19 £'000</b>	<b>Proposed Savings 2018/19 £'000</b>	<b>Total Proposed Savings £'000</b>
Economic Development	0	50	50
Housing	0	80	80
Planning	0	20	20
<b>Total Regeneration Committee (Regeneration &amp; Neighbourhoods Department)</b>	<b>0</b>	<b>150</b>	<b>150</b>

<b>Regeneration &amp; Neighbourhood Services Income Pressure</b>	0	(100)	(100)
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<b>Inflation on 2017/18 savings</b>	27	0	27
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<b>GRAND TOTAL</b>	<b>1,685</b>	<b>278</b>	<b>1,963</b>
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**4.1 APPENDIX C****SUMMARY OF SAVINGS 2019/20**

<b>Finance &amp; Policy Committee - Chief Executives Department</b>	<b>Total Proposed Savings Approved February 2017</b>
	<b>£'000</b>
Further review of management and operational structures	235
<b>Total for Finance and Policy Committee - Chief Executives</b>	<b>235</b>

<b>Finance and Policy Committee - Public Health Department</b>	<b>Total Proposed Savings Approved February 2017</b>
	<b>£'000</b>
Community Hubs	(76)
<b>Total for Community Hubs</b>	<b>(76)</b>

<b>Children's Services Committee - Child and Adult Department</b>	<b>Total Proposed Savings Approved February 2017</b>
	<b>£'000</b>
Other - previously to be identified - now from cessation of Youth Service provision	296
Education Services Income	10
Service Reconfiguration and Data Management	41
Premature Retirement Commitment	10
Inflation Freeze	34
<b>Total Children's Services Committee:</b>	<b>391</b>

**4.1 APPENDIX C****SUMMARY OF SAVINGS 2019/20**

<b>Neighbourhood Services Committee - Regeneration and Neighbourhoods Department</b>	<b>Total Proposed Savings Approved February 2017</b>
	<b>£'000</b>
Environmental Services	160
<b>Total for Neighbourhood Services Committee</b>	<b>160</b>

<b>Regeneration Services Committee - Regeneration and Neighbourhoods Department</b>	<b>Total Proposed Savings Approved February 2017</b>
	<b>£'000</b>
Public Protection	25
Sport and Recreation	50
<b>Total Regeneration Committee (Public Health General Fund Savings)</b>	<b>75</b>

<b>GRAND TOTAL</b>	<b>785</b>
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**4.1 APPENDIX D****FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2018/19 TO 2020/21**

TABLE 1 - FORECAST CAPITAL RESOURCES

	Forecast Resources 2018/2019 (Provisional)				Forecast Resources 2019/2020 (Provisional)				Forecast Resources 2020/2021 (Provisional)			
	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Service Specific Capital Grants</u></b>												
Devolved Formula Capital (Schools) *	0	0	128	128	0	0	128	128	0	0	128	128
Disabled Facilities Grant (Better Care Fund) **	0	0	931	931	0	0	931	931	0	0	931	931
Local Transport Plan	0	0	1,805	1,805	0	0	1,805	1,805	0	0	1,805	1,805
Schools Capital Programme #	0	0	4,828	4,828	0	0	1,098	1,098	0	0	655	655
	0	0	7,692	7,692	0	0	3,962	3,962	0	0	3,519	3,519
<b><u>Departmental Prudential Borrowing - Funded from Specific Business Cases</u></b>												
Replacement Wheelie Bins	90	0	0	90	90	0	0	90	90	0	0	90
Waste Disposal Contract Extension	1,872	0	0	1,872	0	0	0	0	0	0	0	0
Vehicle Procurement (Tables 2 - 4)	1,568	0	0	1,568	1,726	0	0	1,726	1,601	0	0	1,601
	3,530	0	0	3,530	1,816	0	0	1,816	1,691	0	0	1,691
<b><u>Housing Revenue Account Schemes</u></b>												
Empty Property Purchasing Scheme approved 30-10-17 ##	550	495	335	1,380	0	0	0	0	0	0	0	0
	550	495	335	1,380	0	0	0	0	0	0	0	0
<b>Total Forecast Resources</b>	<b>4,080</b>	<b>495</b>	<b>8,027</b>	<b>12,602</b>	<b>1,816</b>	<b>0</b>	<b>3,962</b>	<b>5,778</b>	<b>1,691</b>	<b>0</b>	<b>3,519</b>	<b>5,210</b>

\* Devolved Formula Capital allocation for Schools is an estimate based on the 2017/18 allocation. The Government has stated that the 2017/18 allocation could be used as an indication of future allocations.

\*\* Better Care Fund is continuing in 2018/19, however detailed DFG allocations have yet to be announced by the Government. Estimates are based on 2017/18 allocations and an assumption that the Better Care Fund will continue in 2019/20 and 2020/21.

# Schools Capital Programme includes an estimate of £0.655m Schools Condition Grant for 2018/19 and future years as actual allocations have yet to be announced by the Government. This is based on the 2017/18 allocation which the Government has stated is indicative of future allocations. In addition the Council has received a Basic Need funding allocation for 2018/19 and 2019/2020, this is reflected in the above figures.

## An external funding bid for £0.335m will be submitted to the HCA and is an indicative estimate based on current per property funding levels.

**FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2018/19 TO 2020/21****4.1 APPENDIX D****TABLE 2 - 2018/19 VEHICLE REPLACEMENT PROGRAMME**

Type	Quantity	Service Area	Total £'000
26,000kg RCV	1	Waste Management	185
26,000kg RCV (used replacement - spare)	1	Waste Management	50
26,000kg Trade waste RCV	1	Waste Management	185
Small Panel Van	1	Street Lighting	13
Small Panel Van	2	M&E	25
Medium Panel van	3	M&E	45
6,500kg Box body with bin lifter	3	Cleansing	150
Trailer	1	Highways	5
Medium Panel van - (Refrigerated)	1	Client Services	25
90 HP Tractors (Review HP)	2	Horticulture	110
5 set cylinder ride on mower	2	Horticulture	90
18,000kg tipper with Lorry loader	1	Street Lighting	85
Small Panel Van	2	Car Parking	25
6,500kg Tipper body	1	Horticulture	42
6M3 Demountable gritter body	2	Highways	60
Trailer	5	Cleansing	29
4x4 Buggy	1	Horticulture	15
Medium Panel van	1	Parks & Cems	15
42HP Tractor	2	Horticulture	80
Trailed Gang Mower	1	Horticulture	18
Tractor side mount flail	1	Horticulture	22
Tractor mount rotary mower	1	Horticulture	25
Bus - 30 seater	1	PTS	120
Ride on mower (Rotary)	4	Horticulture	68
Tractor mount flail	1	Horticulture	7
Price contingency*			75
			<b>1,568</b>

**TABLE 3 - 2019/20 VEHICLE REPLACEMENT PROGRAMME**

Type	Quantity	Service Area	Total £'000
Precinct Sweeper	7	Cleansing	525
Rotary mower c/w grass collector	1	Horticulture	25
Pedestrian Flail brush cutter	1	Horticulture	5
Ride on Mower (Rotary)	4	Horticulture	60
Bus - 68 seater	3	PTS	480
1,250kg agricultural tipping trailer	1	Horticulture	5
Ride on Brushcutter flail	1	Horticulture	6
26,000kg 4x2 Refuse Collection vehicles	3	waste Management	540
Leaf Collector	1	Horticulture	5
Price Contingency*			75
			<b>1,726</b>

**TABLE 4 - 2020/21 VEHICLE REPLACEMENT PROGRAMME**

Type	Quantity	Service Area	Total £'000
Multilift demount body	4	Highways	28
32,000kg hookloader	1	Waste Management	120
Large Mechanical Sweeper	2	Cleansing	230
120 Hp tractor (beach cleaner)	1	Cleansing	60
JCB 2CX (grave digger)	1	Horticulture	60
Bob cat wheeled loader	1	Highways	60
Dedicated Gritter	2	Highways	160
Bus - 68 seater	3	PTS	480
Tractor mount rotary mower	1	Horticulture	33
2,500kg agricultural tipping trailer	1	Horticulture	10
Small Panel Van	2	M&E	25
Trailer	4	Horticulture	20
Trailer	4	Cleansing	5
4x4 Aboricultural vehicle	1	Horticulture	75
Large Mechanical Sweeper	1	Cleansing	110
Tractor mount overseeder/disc seeder	1	Horticulture	30
Quad Bikes	2	Horticulture	20
Price contingency*			75
			<b>1,601</b>

\* To allow for differences compared to the estimates used in the above tables in relation to the final purchase price of vehicles.

**2018/19 FINANCIAL RISK MANAGEMENT****Risk Rating**

A simplified version of the Risk Assessment criteria used in the Council's Risk Management Strategy has been used to rank budget risks. This assessment rates risk using the convention of green/amber/red, as defined below, although different levels of risk within each category have not been defined. The risk assessment helps inform the Council's budget monitoring process as it identifies areas that need to be monitored more closely than other budgets. These procedures help ensure that departments can manage budgets and services within the overall departmental resource allocation and the Council's overall financial management framework, which enable departments to establish reserves for significant risks and to carry forward under and over spends between financial years.

The value of expenditure/income on individual areas, together with the percentage of the authority's net budget, are shown in the table below to highlight the potential impact on the Council's overall financial position.

**Green** - these are unlikely events which would have a low financial impact.

**Amber** - these are possible events which would have a noticeable financial impact.

**Red** - these are almost certain to occur and would have a very significant impact. Provision would need to be made for such events in the budgets.

**CORPORATE RISKS**

Financial Risk	Risk Rating	2018/19 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Pay	Amber	57,082	77%	The MTFS includes provision for a 1% pay award from 1st April 2018 which is the level of the Government Public Sector pay cap. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public. For each additional 1% the budget deficit increases by £0.400m.
Higher costs of borrowing and/ or lower investment returns	Green	2,911	4%	This budget covers annual principal repayments and net interest on the Council's borrowings and investments. Interest payable on Council's borrowings or interest earned on investments could be higher or lower than forecast.  The Treasury Management Strategy details how these risks will be managed and establishes an appropriate framework of controls for managing these risks. This strategy is based upon the CFO's assessment of future interest rates, which is itself supported by the detailed interest rate forecasts and market intelligence provided by the Council's Treasury Management Advisors.  The unprecedented low levels of interest rates have resulted in a significant reduction in investment income this change has not had a significant impact on the MTFS as the MTFS takes a prudent approach and only includes investment income on an annual basis.
Planned Maintenance Budget	Amber	231	0.3%	Much of the Council's building stock is in poor condition and the Corporate Risk Register identifies this as a "red" risk. From 2002/03 the Council provided 2.5% real term growth for this budget to start addressing these issues.
Schools Buy-Back Income	Amber	2,633	3.5%	Buy back income underpins a range of services provided by the Council. This income budget is reliant on the Schools continuing to buy back the services.
Education Services Grant	Red	614	0.8%	The grant is distributed between LA's and Academies pro-rata to the number of pupils for whom each is responsible. As schools in Hartlepool convert to Academy status in the future then the funding for education services received by the LA will reduce which could impact on service delivery.
Failure to comply with relevant local authority financial legislation/regulations, NI and taxation regulations.	Amber	0	N/A	The Council will take appropriate steps to ensure it keeps up to date with changing legislation and regulations. There is nothing to indicate that the Council faces any specific material risk in these areas.

CHILD & ADULT SERVICES

Financial Risk	Risk Rating	2018/19 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Increased Demand for Looked After Children Placements	Red	6,000	8.1%	There is a national trend of increasing numbers and increased costs for the placement of children looked after. This particular area is highly volatile and potentially subject to unexpected increases in the numbers of children. This area includes in-house foster placements, independent foster placements with an agency, special guardianship, residence order and leaving care allowances as well as residential placements. This area has historically overspent with this overspend being funded from reserves - only the base budget figure is shown. If this issue is not addressed through a combination of managing demand and / or the Government providing additional funding the 2019/20 deficit may increase by £2.5m i.e. a total forecast deficit of approximately £3.9m;
Dedicated Schools Grant - High Needs Block	Amber	8,912	12.0%	This funding has been cash limited at 2012/13 levels. Schools are required to fund the first £6k of costs from their own budget and post-16 funding for all high needs students aged 0-25 years. There is a risk that insufficient funding exists to meet the needs of all high needs pupils.
Dedicated Schools Grant - De-Delegated Services	Amber	595	0.8%	There are a number of services provided by the LA which are funded from retained DSG. The LA delegates this funding into school budgets and then requesting approval from Schools Forum to de-delegate these budgets back to the LA for all non-Academy schools. Academy schools retain this funding although they would have the opportunity to 'buy-back' these services from the LA. As schools in Hartlepool convert to Academy status in the future then there is the potential for funding to be reduced which could impact on service delivery.
Demographic changes in Older People	Red	9,900	13.3%	Increasing number of elderly people, high percentage of chronic health problems and market pressures on price, including the National Living Wage. The individual nature of contribution towards social care provision is such that the financial circumstances of each individual can differ substantially. The level of the value of people's assets and savings can differ significantly and demographic changes can impact on levels of contribution. Increased pressure on intermediate care services and ensuring discharge from hospital is not delayed. Older people needs becoming more complex due to increased life expectancy.
Demographic changes in Working Age Adults	Red	8,300	11.2%	Increasing numbers of people with learning disabilities surviving into adulthood with increasingly complex needs.  The changes reflect the increased demand from those moving from children's services through the transition process.
Better Care Fund	Amber	6,949	9.4%	The Better Care Fund consists of revenue funding and capital funding (not shown). The Pooled Budget Partnership Board and Health and Wellbeing Board approve schemes and monitor BCF expenditure. The risks include BCF grant funding not continuing in future years, funding being reduced and the performance related element not being achieved. The figure shown excludes the Improved Better Care Fund allocation (iBCF).
Non-achievement of income targets - CCG contributions towards Joint Packages.	Amber	4,900	6.6%	CCG (Clinical Commissioning Group) income is received to contribute to cover the costs of packages for individuals with social care needs.  Risks exist for joint packages whereby an individuals circumstances can change and the level at which the CCG are liable to contribute can decrease.

REGENERATION & NEIGHBOURHOODS

Financial Risk	Risk Rating	2018/19 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Car Parking	Amber	1,570	2.1%	Budget forecasts are based on revised charges and actual income achieved in previous years. There is a risk that the planned level of income may not be achieved as car parking income is falling nationally.
Fee Income - Planning & Building Control	Amber	715	1.0%	The fee income target must be achieved to fund part of the department's expenditure budget. This income cannot be controlled or easily estimated. Achieving the target depends on sufficient numbers/size of applications being received, national economic conditions such as interest rates being sufficiently favourable to encourage development and, in the case of Building Control, the section being able to successfully compete with the private sector.
Highways Maintenance	Amber	1,430	1.9%	A lack of major investment from Central Government is leading to a deterioration in the network. This is a national position and funding is needed to raise conditions generally. Maintenance budgets are under pressure as a result and the position will be closely monitored each month. Conditions surveys will be used to support the Highways Five Year Maintenance Programme and Capital and Revenue budgets will be applied accordingly.
Non-achievement of income targets - Cultural Services	Amber	320	0.4%	The nature of Cultural Services budgets are such that the majority of income is generated through admissions/usage of the services on offer. If this usage falls below targets then income will be reduced. This amount of income at risk has reduced as a result of the transfer of the Maritime Experience to National Museum of the Royal Navy.
Home to School Transport Costs	Amber	1,360	1.8%	The Department's home to school transport contracts are regularly reviewed to ensure competitive prices and best value. Provision of transport is determined by the HTS Transport policy but costs are directly influenced by the needs of pupils which vary from term to term. The highest area of spending relates to the requirement to transport special needs pupils which is demand led, invariably requires escorts and is difficult to control other than to ensure all individual arrangements are procured as economically as possible by the Passenger Transport service.
Trading Accounts	Amber	20,000	26.9%	The department has a wide range of trading operations which generate income by charging clients both internal and external to the Council. This includes services such as school catering, highways, building maintenance, garage, passenger transport as well as professional fees which funds the salaries of staff in property and engineering related services. This income is not certain and depends on local and national economic conditions and can be volatile in response to reductions in client budgets and the Councils capital programme.

PUBLIC HEALTH

Financial Risk	Risk Rating	2018/19 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Non-achievement of income targets - Markets and Licensing	Amber	460	0.6%	Budget forecasts are based on historical charges with inflation applied. There is an expectation that this level of income may not be achieved particularly the income in relation to Markets.
Non-achievement of income targets - Sport, Leisure and Recreation	Amber	1,720	2.3%	The nature of Sport, Leisure and Recreation budgets are such that the majority of income is generated through admissions/usage of the services on offer. If this usage falls below targets then income will be reduced. Budget Forecasts are based on revised charges and trends from previous years which indicate the budget should be achievable. Position will be monitored closely throughout the year.

**SUMMARY OF KEY FINANCIAL ASSUMPTIONS UNDERPINNING THE BUDGET**

<b>Budget Assumption</b>	<b>Financial Standing and Management</b>
The treatment of inflation and interest rates	<p>The proposed resource allocations for 2018/19 include 2.5% for anticipated general inflation on non pay expenditure and 1% for pay expenditure as previously indicated by the Public Sector pay cap. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils. For each additional 1% the budget deficit would increase by £0.400m.</p> <p>In addition, where it is anticipated that costs will increase by more than inflation these issues have been specifically reflected in the pressures included within the budget requirement.</p> <p>Interest exposure is managed through the Treasury Management Strategy.</p>
The treatment of demand led pressures	<p>Individual Policy Chairs and Directors are responsible for managing services within the limit of resource allocations and departmental Risk and Strategic Change Provisions. If these resources are inadequate the Council's Managed</p> <p>Under/Overspends Policy provides flexibility to manage the change over more than one financial year.</p>
The treatment of planned efficiency savings/productivity gains	<p>Where departmental efficiencies are planned it is the individual Directors responsibility to ensure they are implemented. Any under achievement would be dealt with on a temporary basis through the managed overspend rules until a permanent efficiency is achieved. The main areas of efficiencies in 2018/19 are departmental savings. Work undertaken during 2017/18 to deliver these savings in advance makes the 2018/19 budget position more robust and sustainable.</p>
The availability of other funding to deal with major contingencies and the adequacy of provisions	<p>The Council's approved Managed Underspend and Strategic Risk and Change initiatives are well understood and provide departments with financial flexibility to manage services more effectively. These arrangements help to avoid calls on the Council's corporate reserves.</p> <p>The Council's insurance arrangements are a balance between external insurance premiums and internal self insurance. The value of the Council's insurance fund has been assessed and is adequate to meet known reserves on outstanding claims.</p>
The strength of financial reporting arrangements and the Authority's track record of budget monitoring	<p>The Council's financial reporting arrangements include the identification of forecast outturns for both revenue and capital areas. These arrangements ensure problems are identified and corrective action taken before the year end, either at departmental or corporate level. These arrangements have worked well and have enabled the Council to strengthen the Balance Sheet over the last few years.</p>



# MTFS REPORT

## SUPPORTING INFORMATION – REPORTS CONSIDERED BY INDIVIUAL POLICY COMMITTEES

### **INDEX**

Neighbourhood Services Committee 11.09.17

Neighbourhood Services Committee 16.10.17

Children's Services Committee 12.09.17

Adult Services Committee 14.09.17

Regeneration Services Committee 15.09.17

Finance and Policy Committee 18.09.17

# NEIGHBOURHOOD SERVICES COMMITTEE

11th September 2017



**Report of:** DIRECTOR OF REGENERATION AND  
NEIGHBOURHOODS

**Subject:** SAVINGS PROGRAMME 2018/19

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

## 2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings in 2018/19.

## 3. BACKGROUND

3.1 A comprehensive report on the “Council Plan and Medium Term Financial Strategy – Capital and Revenue” was considered at the Finance and Policy Committee on 2<sup>nd</sup> December 2016. The report stated that despite the impact of continuing austerity and cuts in Government funding the Council needs to remain ambitious for the town.

3.2 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;
- Building better beginnings and futures for our children and young people;
- Providing effective leadership based upon innovation and efficiency.

3.3 A report to Council on 23<sup>rd</sup> February 2017 approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of

£1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years

- 3.4 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
<b>Gross Deficit</b>	<b>7.314</b>	<b>3.758</b>	<b>11.072</b>
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
<b>Sub Total – Deficit after Council Tax increases and forecast housing growth</b>	<b>4.955</b>	<b>2.540</b>	<b>7.495</b>
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
<b>Cuts still to be identified</b>	<b>0.822</b>	<b>1.498</b>	<b>2.320</b>

- 3.5 An update of the MTFS was considered by Finance and Policy Committee on 24<sup>th</sup> July and this confirmed the financial forecasts detailed in the previous paragraph. The update report also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.6 The MTFS forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.
- 3.7 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.

3.8 For Local Authorities policies implemented by the national Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services.
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21. Based on our current understanding of the significant work which needs to be completed before the Government can consult on detailed proposals the suggestion that any changes will be delayed until 2020/21 seems realistic;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a reporting warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarter of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy when they introduced the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils.

- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If, or when, the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

- 3.9 A further update report will be considered by Finance and Policy Committee on 18<sup>th</sup> September 2017 and detailed corporate savings which can be achieved in 2018/19 and 2019/20 to reduce the savings still to be identified from £2.320m to £1.641m. As these measures are front loaded this provides a slightly longer lead time to implement additional savings and the revised deficits for these years are as follows:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified	822	1,498	2,320
Less Corporate savings/updated planning assumptions	(544)	(135)	(679)
Revised Savings still to be identified	278	1,363	1,641

- 3.10 Additional savings proposals to be considered by individual Policy Committees in September are designed to address the remaining 2018/19 deficit of £278,000. Proposals to address the remaining forecast 2019/20 deficit will be developed during 2017/18 and will be reported to future meetings.

#### 4. SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

- 4.1 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Neighbourhood Services Committee – Regeneration and Neighbourhoods Department	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Transport and Infrastructure	50		50
Environmental Services	360	160	520
Heritage and Countryside	10	10	20
<b>Total Neighbourhood's Services Committee:</b>	<b>420</b>	<b>170</b>	<b>590</b>

- 4.2 In relation to the 2018/19 approved savings work is progressing to implement these proposals and Member are advised that the savings will be achieved as planned. With regard to the £410,000 savings to be identified from Transport & Infrastructure and Environmental Services this will be achieved by implementing the following savings:

- **Transport and Infrastructure - £50,000**

The LED Street lighting replacement programme originally included an element energy and maintenance savings which were achieved and identified as part of the overall business case. It was anticipated at the time they may be additional energy savings to be sought however we felt it was prudent to wait for the full scheme to be operational for a period of time and close monitoring of service utility rates before releasing further savings.

- **Environmental Services £360,000**

By reviewing operating practices across street cleansing, grounds maintenance and waste collection we can reduce the need for casual and seasonal staff. This will involve staff working across different service areas. It will involve an increase in flexibility by all to improve productivity which in turn will reduce the need for vehicles in some cases. Downtime on vehicles can be reduced if working practices change to maximise demand in certain services at peak times, which subsequently will bring vehicle and fuel savings. These changes will involve the reduction of mechanical processes in some areas of the town which can be replaced with manual cleaning rounds. Grounds maintenance vehicles can also be reduced to reflect the initiatives already put in place that reduce the level of grass cutting e.g. low maintenance alternatives and wild flowers. Further work will be carried out to reduce maintenance costs on vehicles.

- **Heritage and Countryside £20,000**

Deletion of one third post plus some non-pay budget savings.

- 4.3 Further work will be required to implement the 2019/20 approved savings and details will be reported to Members next year of any proposed changes to these plans.

- 4.4 In addition to the savings proposals outlined above the following additional savings are recommended for implementation over the next two years. Part of these savings needs to be earmarked to fund departmental budget pressures. . Departmental pressures relate to cost associated with domestic waste and recycling collection services and the Household Waste Recycling Centre on Burn Road. In addition the income risk reserves set aside for Building Control, Planning and Economic Development and Car Parking inflation have been fully used in 2016/2017 so there is no reserve funding currently to manage this risk going forward.

- 4.5 As summarised in the following table the net impact of these savings and pressures is a net saving towards the remaining budget deficits for 2018/19.

	Pressure /(saving) 2018/19 £'000
<b>Additional savings</b>	
<b>Regeneration</b>	
Economic Development	(50)
Housing	(80)
Planning	(20)
<b>Neighbourhoods</b>	
Highways Trading account	(20)
Traffic & Transport	(40)
Sustainable transport	(20)
Passenger Transport	(40)
<b>Finance &amp; Policy</b>	
Community Safety	(50)
Sub Total – Recommended additional savings	(320)
Less Departmental pressures	100
Additional savings towards remaining budget deficit	(220)

- 4.6 In relation to the 2018/19 savings referred to in table above they will be achieved by implementing the following :

- **Highways Trading - £20,000**

Income generation – review current service model we either grow to take on larger capital schemes and therefore spread our overheads or we reduce to basic maintenance provision, seeking an alternative delivery model for other works, recognising the overhead will have to be adsorbed elsewhere across the division. Members will receive details regarding this option as part of the detailed trading account review currently taking place.

- **Traffic & Transport - £40,000**

The Assistant Director for Environment & Neighbourhoods is currently undertaking a review of trading accounts which will result in the restructure of this service area, and the deletion of one vacant post and potentially one compulsory redundancy

- **Sustainable Transport £20,000**

Reduce concessionary fares budget

- **Passenger Transport - £40,000**

Review Trading Capacity and Home to School Transport criteria

## 5. RISK IMPLICATIONS

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.
- 5.2 It is considered that the proposed 2018/19 savings can be delivered, although not without difficulty or some degree of risk. This can be managed in the coming year; however achieving these savings becomes more difficult each year.
- 5.3 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. There are a number of risks in these changes, particularly taken in the context of previous savings which have been made. The assessments which have been undertaken, the summary of the conclusions from this are included in the sections above in the context they have been described are viewed as being manageable but with there being a significant need to review workloads, priorities and for the potential scaling back of a number of current activities in line with the resources available.
- 5.4 It is considered that these savings can be delivered, although not without difficulty or some degree of risk but that this can be managed over the three years, however achieving these savings becomes more difficult each year, which is the case in other departments. The following points highlight the key risks;
  - Reduced staff morale. Where restructuring or reducing budgets has a continuing impact as the level of staff left to deliver services, it is essential to engage fully with those staff in order to ensure services are delivered in an effective and efficient way.
  - Reduced operational budgets can lead to a reduced ability to deliver key targets, outputs and outcomes.
  - Response times to enquiries and subsequent actions.
  - Income targets not been met.
  - Insufficient reserve to fund posts.
  - Reputational damage for the Council. With the continued reduction in budgets and the ability to deliver frontline services through reduced staffing capacity, there is a real danger the Council's reputation will suffer. There may be an increase in the number of complaints or a reduction in the level of customer satisfaction.



- 5.5 A key risk to note is the increase in relation to income generation targets within the Division. Close monitoring of budgets in year is essential to manage the risk of not achieving these targets. In the event that income targets cannot be achieved reserves may be used to support services in the short term, however, alternative permanent savings will need to be identified and this will need to form part of a prioritisation exercise to review which services may need to reduce.

## **6 LEGAL CONSIDERATIONS**

- 6.1 There are no legal considerations to this report.

## **7 CONSULTATION**

- 7.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

## **8. CHILD AND FAMILY POVERTY**

- 8.1 The proposed budget savings have been identified that will have the least impact on frontline services. There are no significant Child and Family Poverty impacts associated with these savings.

## **9. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 9.1 For each of the proposed savings areas where there is likely to be a direct impact on customers/service users and/or staff, consideration is given to the impact across each of the protected characteristic groups. This is recorded through an Equality Impact Assessment (see **Appendix 1**).
- 9.2 This impact assessment will be reviewed by the Corporate Equality Group alongside those for the other Department savings proposals. An overall Equality Impact Assessment will be undertaken to identify if there is any Council-wide cumulative impact on protected groups from the savings proposals for the next three years.

## **10. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS**

- 10.1 Whilst all services across the Council are sighted on their section 17 obligations when reviewing services, as outlined in section 3 of this report, the Environment and Neighbourhoods Division is responsible for some core statutory responsibilities in relation to preventing crime and disorder and the co-ordination of activity to improve community safety and cohesion whilst Community Safety falls under the remit of Finance and Policy Committee it is recognised that community safety impacts on neighbourhoods.
- 10.2 In undertaking this review the Division has therefore taken particular care to ensure that these statutory responsibilities continue to be sustained by the Division and are supported by the proposed realignment of the Community Engagement elements of the service.

## **11. STAFF CONSIDERATIONS**

- 11.1 There will be staffing implications associated with the savings proposals considered by individual Policy Committee and these will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities.

## **12. ASSET MANAGEMENT CONSIDERATIONS**

- 12.1 There are no asset management considerations relating to this report.

## **13. CONSULTATION**

- 13.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

## 14. CONCLUSION

- 14.1 The Council approved a multi-year financial strategy in February 2017, which included the phased use of reserves to help manage budget reduction over the period 2017/18 to 2019/20. The strategy also approved savings for implementation in 2018/19 and 2019/20 to begin to address the budget deficits for these years.
- 14.2 The proposals in this report details changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 and 2019/20 budget shortfalls.
- 14.3 At a corporate level the proposal identified for individual Policy Committees will enable a balanced budget to be set for 2018/19. The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 of £1.363m will be developed during 2017/18.
- 14.4 Achievement of further savings for 2019/20 will be challenging and will require further changes, whilst ensuring services are maintained as far as practical, or the implications of reducing capacity are reflected in service requirements.
- 14.5 There are a number of risks which may increase the 2019/20 deficit, including the funding arrangements for Children's Services and the actual level of pay awards. These issues will be kept under review and details of any changes will be reported to future meetings.
- 14.6 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.
- 14.7 Recognising the austere climate and the savings the Council has to achieve in line with Government Policy, the department has aligned and prioritised resources to focus on the Councils ambition to develop and promote Hartlepool as a great place to live. The Council's recent "*Your say, our future*" consultation reaffirmed the importance of the local environment to residents and highlighted the need for the Community and the Council to work together to improve the area and also reduce demand on services.
- 14.8 It is important to note that in addition to the savings required to support the Council's overall savings programme it has been necessary to identify savings to fund budget pressures within the department which are referred to above. In addition to the financial pressures on operating budgets the

Department continues to operate a number of trading activities on a commercial basis. These services face separate pressures each year as they are required to generate sufficient income to fund the associated operating costs. Inflation must be found each year to “stand still” financially and in an ever increasing competitive market place this can sometimes be difficult to achieve.

## **15. RECOMMENDATIONS**

- 15.1 It is recommended that Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 20<sup>th</sup> November 2017.

## **16. REASON FOR RECOMMENDATIONS**

- 16.1 The proposals included in this report have been identified as being sustainable and deliverable.

## **17. BACKGROUND PAPERS**

- 17.1 The following background papers were used in the preparation of this report:-

Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

## **18. CONTACT OFFICERS**

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## APPENDIX 1

## Impact Assessment Form

Department	Division	Section	Owner/Officer
Regeneration and Neighbourhoods	Neighbourhoods		Denise Ogden
Service, policy, practice being reviewed/changed or planned	<ul style="list-style-type: none"> <li>• Concessionary Fares</li> <li>• Environmental Services</li> <li>• Transport and Infrastructure</li> <li>• Building Design and Construction</li> <li>• Community Safety and Engagement</li> <li>• Vehicle Fleet</li> <li>• Income Generation</li> </ul>		
Why are you making the change?	<ol style="list-style-type: none"> <li>1. Financial savings required by the Council in response to reduced Government funding.</li> <li>2. Respond to changing service delivery expectations from communities and users.</li> <li>3. To provide services in a more efficient and responsive manner.</li> </ol>		
How might this impact (positively/negatively) on people who share protected characteristics?			
		Please tick	
		POSITIVELY	NEGATIVELY
Age			
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b> Reduction in budget is based on the level of costs currently being incurred and is not anticipated to impact on service users many of whom are aged or affect the statutory duty placed upon the Authority.</li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b> At present no significant negative impacts have been identified for users in relation to the above.</li> </ul>			
Disability			
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b> Reduction in budget is based on the level of costs currently being incurred and is not anticipated to impact on service users some of whom are disabled or affect the statutory duty placed upon the Authority.</li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b> At present no significant negative impacts have been identified for users in relation to the above.</li> </ul>			

<b>Gender Re-assignment</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b></li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b></li> </ul> <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
<b>Race</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b></li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b></li> </ul> <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
<b>Religion</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b></li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b></li> </ul> <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
<b>Gender</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b></li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b></li> </ul> <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
<b>Sexual Orientation</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b></li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b></li> </ul> <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
<b>Marriage &amp; Civil Partnership</b>		

<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b></li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b></li> </ul> <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
<b>Pregnancy &amp; Maternity</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares</b></li> <li>• <b>Environmental Services</b></li> <li>• <b>Transport and Infrastructure</b></li> <li>• <b>Building Design and Construction</b></li> <li>• <b>Community Safety and Engagement</b></li> <li>• <b>Vehicle Fleet</b></li> <li>• <b>Income Generation</b></li> </ul> <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
<b>Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?</b>	<p>The following has been or will be considered and where appropriate will be used to inform decisions regarding the proposed changes:</p> <ul style="list-style-type: none"> <li>• Organisational structures.</li> <li>• Job Descriptions.</li> <li>• Single Status and Job Evaluation</li> <li>• Established HR Procedures (Redundancy selection criteria is based on objective matters which are not related to any protected groups).</li> <li>• Service reviews and research.</li> <li>• Information from service users <ul style="list-style-type: none"> <li>- 'Your Say Our Future' consultation</li> <li>- Satisfaction surveys</li> <li>- Regular liaison meetings with users, providers and partners</li> <li>- Neighbourhood forums and resident groups</li> <li>- Transport liaison groups</li> <li>- Ward Councillor feedback</li> </ul> </li> </ul>	
	<p><b>Concessionary Fares</b></p> <p>The amount paid for concessionary fares depends on a number of factors, ie the costs incurred by bus operators, the price of an adult fare, and the number of passengers travelling. Based on actual costs incurred, this budget can be reduced by £30k in 2017/18. These savings are not anticipated to affect the statutory duties placed upon the Authority.</p> <p><b>Environmental Services</b></p> <p>Savings can potentially be achieved from reviewing the operating practices across the service. Reduced casual and seasonal staff, improved productivity and changes in working practices are anticipated. Downtime on vehicles could be reduced as well as the number of mechanical processes. It is expected that there will be reductions in staffing through ER/VR's and some compulsory redundancies may be unavoidable. Any future restructuring</p>	

	<p>will be subject to consultation with staff concerned. The changes are not anticipated to affect the statutory duties placed upon the Authority.</p> <p><b>Transport and Infrastructure</b> It is anticipated that a restructure will take place involving the merger of Highways services with Transport and Traffic and services will be realigned. Additional savings can be generated as a result of the Street Lighting replacement programme through energy savings and a reduction in maintenance costs. These savings are not anticipated to affect the statutory duties placed upon the Authority. The reduction in resources may however require the loss of up to 3 full time posts. Any future restructuring will be subject to detailed consultation with staff concerned.</p> <p><b>Building Design and Construction</b> A £20k saving is anticipated from the rationalisation and reduction in the size of the stores facility.</p> <p><b>Community Safety and Engagement</b> A review is underway to explore how the Council strengthens and builds capacity in communities and continues to retain a level of service that reflects the Councils statutory duties. This review may however lead to a reduction of up to 2 FTE posts. Any restructuring would be subject to detailed consultation with staff concerned.</p> <p><b>Vehicle Fleet</b> Following changes in several service areas and the recent move to the new depot at Tofts Farm it is anticipated that fleet costs can be reduced.</p> <p><b>Income Generation</b> Income generation opportunities have been examined and proposals regarding introducing new charges and increasing existing charges have been set out. Benchmarking data has been used to compare the Council with other local authorities. The fees and charges relate to discretionary services and may be set according to the nature of the service being offered and prevailing market conditions.</p>
<p><b>As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?</b></p>	<p>Equality impacts on particular groups and staff have been considered as part of the savings programme. The proposals, as they stand, will have minimal if any impact on equality and statutory services will not be affected. Where staff may be affected, impacts will be considered further as savings options are agreed but will include:-</p> <ul style="list-style-type: none"> <li>• Early Retirement/Voluntary Redundancy opportunities – these will be in line with the Council's HR policy and staff will be appropriately advised and supported throughout the process.</li> <li>• Compulsory Redundancy – any requirements will be addressed in line with Council's HR policies and staff affected will be supported and advised throughout the process. Where appropriate Council</li> </ul>



		<p>job vacancies will be earmarked as redeployment opportunities for anyone in the workforce deemed to be at risk of redundancy.</p> <ul style="list-style-type: none"> <li>Reconfiguration of services and merging of functions – No specific impact on users and communities identified. However it is noted that there will be increased pressure on staff to deliver services and potential reduced flexibility and effectiveness of service.</li> </ul>	
Describe how you will address and monitor the impact		<p>The proposed changes will be addressed and monitored by the appropriate managers and front line staff through existing methods as appropriate. These are likely to include:</p> <ul style="list-style-type: none"> <li>Public surveys and questionnaires</li> <li>CRM data</li> <li>Complaints (informal and formal)</li> <li>Budget monitoring data</li> <li>Liaison meetings with users and providers</li> <li>Neighbourhood forums</li> <li>Ward Councillor feedback</li> </ul> <p>If necessary the appropriate management level will need to address any emerging concerns.</p> <p>The equality impact of the following item will be monitored particularly closely:-</p> <p><b>Concessionary Fares</b></p> <p>This is a volatile budget and demand led and therefore there is a risk that the budget will be insufficient to meet the costs incurred by aged and/or disabled service users. The budget situation will be closely monitored. If costs do arise over and above the reduced budget level, alternative savings will need to be identified in the department.</p>	
		<p><b>2. Adjust/Change Policy</b></p> <p>n/a</p>	
		<p><b>3. Adverse Impact but Continue as is</b></p> <p>n/a</p>	
		<p><b>4. Stop/Remove Policy/Proposal</b></p> <p>n/a</p>	
Initial Assessment	8/11/16	Reviewed	22/11/16
Completed		Published	

# NEIGHBOURHOOD SERVICES COMMITTEE

16<sup>th</sup> October 2017



**Report of:** DIRECTOR OF REGENERATION AND  
NEIGHBOURHOODS

**Subject:** SAVINGS PROGRAMME 2018-19

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## **1. TYPE OF DECISION/APPLICABLE CATEGORY**

1.1 Budget and Policy Framework.

## **2. PURPOSE OF REPORT**

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings for 2018/19 following a report presented to Neighbourhood Services Committee on 11<sup>th</sup> September 2017.

## **3. BACKGROUND**

3.1 At the previous meeting of Neighbourhood Services Committee, Members were reminded of the savings proposals approved by Council on 23<sup>rd</sup> February, 2017 for 2018/19 and 2019/20 which begin to reduce the budget deficits in these years. This report set out that the savings approved did not address the full deficit and savings of £2.320m still needed to be identified. As a result additional savings were outlined for implementation over the next two years and part of these savings would be earmarked to fund Departmental pressures in 2018/19.

3.2 Before Members could agree the additional savings proposals identified for 18/19, they requested that an additional report be brought back to Committee that further defined the savings. In addition members requested that this report provide further detail regarding the Environmental Services target of £360,000 previously approved, and this is provided below.

- **Environmental Services – £360,000**

By reviewing operating practices across street cleansing, grounds maintenance and waste collection we can reduce the need for casual and seasonal staff. This will involve staff working across different service areas. It will involve an increase in flexibility by all to improve productivity which in turn will reduce the need for vehicles in some cases. Downtime on vehicles can be reduced if working practices change to maximise demand in certain services at peak times, which subsequently will bring vehicle and fuel savings. These changes will involve the reduction of mechanical processes in some areas of the town which can be replaced with manual cleaning rounds. Grounds maintenance vehicles can also be reduced to reflect the initiatives already put in place that reduce the level of grass cutting e.g. low maintenance alternatives and wild flowers. Further work will be carried out to reduce maintenance costs on vehicles.

*This saving is currently being achieved through a move to generic working within the grounds maintenance and cleansing teams, which has seen a reduction in the number of casual staff being required and employed, a reduction in overtime payments, a reduced number of cleansing vehicles in operation and the planting of more wildflower meadows that reduce our grass cutting operations.*

#### 4. PROPOSALS

- 4.1 The additional savings proposals recommended to address the remaining 2018/19 forecast deficit of £278,000, which were put forward in the previous report are detailed below and in line with the Committee's request, more details on each of the proposals have been added:

- **Highways Trading – £20,000**

Income generation – review current service model we either grow to take on larger capital schemes and therefore spread our overheads or we reduce to basic maintenance provision, seeking an alternative delivery model for other works, recognising the overhead will have to be adsorbed elsewhere across the division. Members will receive details regarding this option as part of the detailed trading account review currently taking place.

*The Council currently has an in house highways team that help to deliver the maintenance and upkeep of our highway network by repairing footpaths and roads, in-filling potholes, creating new walkways, etc. At present the Service is funded from the income it generates and therefore the proposal put forward will expect this particular service to bring in additional income of £20k from Capital or external works to help support the Council's general fund position.*

- **Traffic and Transport – £40,000**

The Assistant Director for Environment and Neighbourhood Services is currently undertaking a review of trading accounts which will result

in the restructure of this service area, and the deletion of one vacant post and potentially one compulsory redundancy.

*The deletion of a vacant post in this particular team will enable the Council to achieve this particular savings target with minimal implications on service delivery.*

- **Sustainable Transport – £20,000**

Reduce concessionary fares budget.

*The amount paid will depend on a number of factors. The costs incurred by bus operators, the price of an adult fare and the number of passengers travelling. In recent years increases have been required in this area and an inflationary uplift is therefore applied to this budget each year. Based on actual costs incurred and projected this budget can be reduced by £20k in 2018/19. This is a volatile budget and is demand led which means that there is a risk associated with this saving. The situation will be monitored closely and in the event that costs do begin to rise an alternative saving will need to be identified in the Department. This reduction will have no impact in the offering of concessionary fares which and can be delivered from the existing budget remaining.*

- **Passenger Transport – £40,000**

Review Trading Capacity and Home to School Transport criteria.

*The Budget for home to School Transport is needs driven and costs will vary depending on pupil demographics as well as route efficiencies. The budget is set to fund higher levels of need and based on current and recent levels of demand it is possible to reduce this budget in 18/19. With any demand led budget there is always a risk that demand will increase and costs will rise. Trends will be closely monitored and in the event that demand does exceed the budget provision in future years, alternative savings will be identified within the Department. This service also includes a Trading element which will be part of the detailed trading account review that is currently taking place, therefore part of the proposals put forward will involve this particular service generating additional income or seeking efficiencies in service delivery which will have minimal impact on service provision.*

## 5. RISK IMPLICATIONS

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.
- 5.2 It is considered that the proposed 2018/19 savings can be delivered, although not without difficulty or some degree of risk. This can be

managed in the coming year; however achieving these savings becomes more difficult each year.

- 5.3 A key risk to note is the increase in relation to income generation targets within the Division. Close monitoring of budgets in year is essential to manage the risk of not achieving these targets. In the event that income targets cannot be achieved reserves may be used to support services in the short term, however, alternative permanent savings will need to be identified and this will need to form part of a prioritisation exercise to review which services may need to reduce.

## **6. FINANCIAL CONSIDERATIONS**

- 6.1 The financial considerations are included within the report as these set out the proposed savings programme for 2018/19 for Environment and Neighbourhood Services.

## **7. LEGAL CONSIDERATIONS**

- 7.1 There are no legal considerations attached to this report.

## **8. CONSULTATION**

- 8.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

## **9. CHILD AND FAMILY POVERTY**

- 9.1 The proposed budget savings have been identified that will have the least impact on frontline services. There are no significant Child and Family Poverty impacts associated with these savings.

## **10. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 10.1 An Equality Impact Assessment was included as part of the previous to Committee on 11<sup>th</sup> September 2017.

**11. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS**

- 11.1 Whilst all services across the Council are sighted on their section 17 obligations when reviewing services, as outlined in section 3 of this report, the Environment and Neighbourhoods Division is responsible for some core statutory responsibilities in relation to preventing crime and disorder and the co-ordination of activity to improve community safety and cohesion whilst Community Safety falls under the remit of Finance and Policy Committee it is recognised that community safety impacts on neighbourhoods.
- 11.2 In undertaking this review the Division has therefore taken particular care to ensure that these statutory responsibilities continue to be sustained by the Division and are supported by the proposed realignment of the Community Engagement elements of the service.

**12. STAFF CONSIDERATIONS**

- 12.1 There will be staffing implications associated with the savings proposals considered by individual Policy Committee and these will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities

**13. ASSET MANAGEMENT CONSIDERATIONS**

- 13.1 There are no asset management considerations relating to this report.

**14. RECOMMENDATIONS**

- 14.1 It is recommended that Members of the Committee note the content of the report and formulate a response on the additional savings proposed to be presented to Finance and Policy Committee on 20<sup>th</sup> November 2017.

**15. REASONS FOR RECOMMENDATIONS**

- 15.1 The proposals included in this report have been identified as being sustainable and deliverable.

## **16. BACKGROUND PAPERS**

- 16.1 The following background papers were used in the preparation of this report:

Council – Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 – 25<sup>th</sup> February 2017

Finance and Policy Committee – Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 – 24<sup>th</sup> July 2017

Neighbourhood Services Committee – Savings Programme 2018/19 – 11<sup>th</sup> September 2017

## **17. CONTACT OFFICER**

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# CHILDREN'S SERVICES COMMITTEE

## 12 September 2017



**Report of:** DIRECTOR OF CHILDREN'S AND JOINT COMMISSIONING SERVICES

**Subject:** SAVINGS PROGRAMME 2018/19 AND 2019/20 – CHILDREN'S SERVICES

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### 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

### 2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings in 2018/19 and 2019/20.

### 3. BACKGROUND

3.1 A comprehensive report on the "Council Plan and Medium Term Financial Strategy – Capital and Revenue" was considered at the Finance and Policy Committee on 2<sup>nd</sup> December 2016. The report stated that despite the impact of continuing austerity and cuts in Government funding the Council needs to remain ambitious for the town.

3.2 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;
- Building better beginnings and futures for our children and young people;
- Providing effective leadership based upon innovation and efficiency.

3.3 A report to Council on 23<sup>rd</sup> February 2017 approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of



£1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years

- 3.4 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
<b>Gross Deficit</b>	<b>7.314</b>	<b>3.758</b>	<b>11.072</b>
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
<b>Sub Total – Deficit after Council Tax increases and forecast housing growth</b>	<b>4.955</b>	<b>2.540</b>	<b>7.495</b>
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
<b>Cuts still to be identified</b>	<b>0.822</b>	<b>1.498</b>	<b>2.320</b>

- 3.5 An update of the MTFs was considered by Finance and Policy Committee on 24<sup>th</sup> July and this confirmed the financial forecasts detailed in the previous paragraph. The update report also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.6 The MTFs forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.
- 3.7 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.

3.8 For local authorities, policies implemented by the national Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services.
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21. Based on our current understanding of the significant work which needs to be completed before the Government can consult on detailed proposals the suggestion that any changes will be delayed until 2020/21 seems realistic;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a report warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarter of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy when they introduction of the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils.

- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If, or when, the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

- 3.9 A further update report was considered by Finance and Policy Committee on 18<sup>th</sup> September 2017 and detailed corporate savings which can be achieved in 2018/19 and 2019/20 to reduce the savings still to be identified from £2.320m to £1.641m. As these measures are front loaded this provides a slightly longer lead time to implement additional savings and the revised deficits for these years are as follows:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified	822	1,498	2,320
Less Corporate savings/updated planning assumptions	(544)	(135)	(679)
Revised Savings still to be identified	278	1,363	1,641

- 3.10 Additional savings proposals to be considered by individual Policy Committees in September are designed to address the remaining 2018/19 deficit of £278,000. Proposals to address the remaining forecast 2019/20 deficit will be developed during 2017/18 and will be reported to future meetings.

#### 4. SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

- 4.1 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

<b>Children's Services Committee - Child and Adult Department</b>	<b>Approved Savings 2018/19 £'000</b>	<b>Approved Savings 2019/20 £'000</b>	<b>Total Approved Savings £'000</b>
Other - to be identified from Children's Centres, Commissioned Services, Short Breaks and Better Childhood Programme	500	296	796
Education Services Income Generation	30	10	40
Children Services Income	10	0	10
Service Reconfiguration and Data Management	0	41	41
Premature Retirement Commitment	0	10	10
Inflation Freeze	0	34	34
<b>Total Children's Services Committee:</b>	<b>540</b>	<b>391</b>	<b>931</b>

- 4.2 In relation to the 2018/19 approved savings work is progressing to implement these proposals and Member are advised that the savings will be achieved as planned. With regard to the £500,000 savings to be identified from Children's Centres, Commissioned Services, Short Breaks and Better Childhood Programme this will be achieved by implementing the following savings:

- **Children's Early Intervention - £56,000**  
Deletion of vacant posts (2 x Family Support Worker).
- **Children's Early Intervention - £192,000**  
Staffing savings from ceasing the cafe facility at Rossmere Children's Centre and from deleting an admin post within Children's Services.  
Non-Pay savings achieved from reducing budgets that have historically underspent and core costs associated with Rift House and St Helen's children's centre budgets following service provision ceasing at these sites and transferring to the respective schools.
- **Departmental Salary Abatement - £92,000**  
Increase salary abatement target to reflect turnover of staff and incremental progression.
- **Children's 5 to 19 activities - £160,000**  
Following the decision to provide a one year grant for the 5 – 19 activities programme during 2017/18 to support the development of the Young People's Foundation, the balance of the saving will be realised

in 2018/19. The Young People's Foundation is now fully constituted and it is anticipated that activities for children and young people will be supported via external funding through this newly formed Foundation from 2018/19 onwards.

- 4.3 In relation to Education, the continuing success of the Centre for Excellence in Teaching and Learning and services such as educational psychology will enable additional income to be provided. The income generation target for 2018/19 for the Education team is **£30,000**.
- 4.4 Further work will be required to implement the 2019/20 approved savings and details will be reported to Members next year of any proposed changes to these plans.
- 4.5 In addition to the savings proposals outlined in the previous paragraph the following additional savings that will impact on children's services are recommended for implementation over the next two years. A number of these savings are managed across Adult Services and Children's Services and have not been apportioned to individual service areas. Part of these savings needs to be earmarked to fund departmental budget pressures. As summarised in the following table the net impact of these savings and pressures is a net saving towards the remaining budget deficits for 2018/19:

	Pressure /(saving) 2018/19 £'000
<b>Additional savings</b>	
<b>(i) Departmental Salary Abatement target</b> An overall increase of £100,000 can be included in the base budget to reflect turnover of staff and incremental progression. Of this amount £92,000 is allocated towards achieving the approved 2018/19 savings, as detailed in paragraph 4.2.	(8)
<b>(ii) Income Generation</b> Increase room hire and conference income at the two venues managed across Adult Services and Children's Services - CIL and CETL.	(50)
<b>Sub Total – Recommended additional savings</b>	<b>(58)</b>
<b>Less Departmental pressures</b>	<b>0</b>
<b>Additional savings towards remaining budget deficit</b>	<b>(58)</b>

## 5. RISK IMPLICATIONS

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.

- 5.2 It is considered that the proposed 2017/18 savings can be delivered, although not without difficulty or some degree of risk. This can be managed in the coming year; however achieving these savings becomes more difficult each year.
- 5.3 There is a risk that external funding will not be available for the continuation of young people's activities. However the development of a partnership approach through the Young People's Foundation is aimed at mitigating this risk.
- 5.4 There is a risk that a further reduction in early intervention services may lead to an increase in the demand for specialist services as families reach crisis point. This will need to be monitored.

## **6. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 6.1 Children, young people and families will be supported based on need to ensure that support is available to those that need it.

## **7. LEGAL CONSIDERATIONS**

- 7.1 There are no legal considerations at this time.

## **8. CHILD AND FAMILY POVERTY**

- 8.1 Reductions in budgets available to support children and their families will reduce the range and choice of services available. The impact of the savings will be monitored to determine whether these affect the levels of child and family poverty.

## **9. STAFF CONSIDERATIONS**

- 9.1 There will be staffing implications associated with the savings proposals considered by individual Policy Committees and these will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities. There are staffing implications associated with savings proposals for Children's Services in 2018/19 as detailed in the proposals at 4.2.

## **10. ASSET MANAGEMENT CONSIDERATIONS**

- 10.1 There are no asset management considerations within this report.

## **11. CONSULTATION**

- 11.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

## **12. CONCLUSION**

- 12.1 The Council approved a multi-year financial strategy in February 2017, which included the phased use of reserves to help manage budget reduction over the period 2017/18 to 2019/20. The strategy also approved savings for implementation in 2018/19 and 2019/20 to begin to address the budget deficits for these years.
- 12.2 The proposals in this report details changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 and 2019/20 budget shortfalls.
- 12.3 At a corporate level the proposal identified for individual Policy Committees will enable a balanced budget to be set for 2018/19. The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 of £1.363m will be developed during 2017/18.
- 12.4 Achievement of further savings for 2019/20 will be challenging and will require further changes, whilst ensuring services are maintained as far as practical, or the implications of reducing capacity are reflected in service requirements.
- 12.5 There are a number of risks which may increase the 2019/20 deficit, including the funding arrangements for Children's Services and the actual level of pay awards. These issues will be kept under review and details of any changes will be reported to future meetings.
- 12.6 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure

the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.

- 12.7 The achievement of further savings in children's services has been challenging in the context of increasing demand for social care services and associated budget pressures. The proposals outlined in this report reflect the department's efforts to contribute to reducing the budget deficit whilst maintaining a responsive and needs led service for children, young people and their families.

### **13. RECOMMENDATIONS**

- 13.1 It is recommended that Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 20<sup>th</sup> November 2017.

### **14. REASON FOR RECOMMENDATIONS**

- 14.1 The proposals included in this report have been identified as being sustainable and deliverable.

### **15. BACKGROUND PAPERS**

- 15.1 The following background papers were used in the preparation of this report:-

Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

### **16. CONTACT OFFICERS**

Sally Robinson, Director of Children's and Joint Commissioning Services  
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Department	Division	Section	Owner/Officer
CHILDREN'S AND JOINT COMMISSIONING SERVICES			SALLY ROBINSON
Service, policy, practice being reviewed/changed or planned	SAVINGS PROGRAMME 2018/19 AND 2019/20– CHILDREN'S SERVICES		
Why are you making the change?	Proposals for budget savings to reduce the budget deficit in accordance with the Council's Medium Term Financial Strategy		
How might this impact (positively/negatively) on people who share protected characteristics?			
		<i>Please tick</i>	<b>POSITIVELY</b>
			<b>NEGATIVELY</b>
<b>Age</b>			
No impact			
<b>Disability</b>			
No impact			
<b>Gender Re-assignment</b>			
No impact			
<b>Race</b>			
No impact			
<b>Religion</b>			
No impact			
<b>Gender</b>			
No impact			
<b>Sexual Orientation</b>			
No impact			
<b>Marriage &amp; Civil Partnership</b>			
No impact			
<b>Pregnancy &amp; Maternity</b>			
No impact			
Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?	The report will be considered by Children's Services Committee, Finance and Policy Committee and Council before decision is taken. There is no specific impact of the proposals on those with protected characteristics.		
As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?	There is no specific impact of the proposals on those with protected characteristics.		

Describe how you will address and monitor the impact		<b>1. No Impact - No Major Change</b> The proposals will not impact positively or negatively on those with protected characteristics	
		<b>2. Adjust/Change Policy</b> <i>Please Detail</i>	
		<b>3. Adverse Impact but Continue as is</b> <i>Please Detail</i>	
		<b>4. Stop/Remove Policy/Proposal</b> <i>Please Detail</i>	
Initial Assessment	00/00/00	Reviewed	00/00/00
Completed	00/00/00	Published	00/00/00

# ADULT SERVICES COMMITTEE

14 September 2017



**Report of:** Director of Adults and Community Based Services

**Subject:** SAVINGS PROGRAMME 2018/19 AND 2019/20

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## 1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

## 2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings in 2018/19 and 2019/20.

## 3.0 BACKGROUND

3.1 A comprehensive report on the “Council Plan and Medium Term Financial Strategy – Capital and Revenue” was considered at the Finance and Policy Committee on 2 December 2016. The report stated that despite the impact of continuing austerity and cuts in Government funding the Council needs to remain ambitious for the town.

3.2 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;
- Building better beginnings and futures for our children and young people;
- Providing effective leadership based upon innovation and efficiency.

3.3 A report to Council on 23 February 2017 approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of £1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years

- 3.4 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
<b>Gross Deficit</b>	<b>7.314</b>	<b>3.758</b>	<b>11.072</b>
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
<b>Sub Total – Deficit after Council Tax increases and forecast housing growth</b>	<b>4.955</b>	<b>2.540</b>	<b>7.495</b>
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
<b>Cuts still to be identified</b>	<b>0.822</b>	<b>1.498</b>	<b>2.320</b>

- 3.5 An update of the MTFs was considered by Finance and Policy Committee on 24 July 2017 and this confirmed the financial forecasts detailed in the previous paragraph. The update report also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.6 The MTFs forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.
- 3.7 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.

3.8 For Local Authorities, policies implemented by the national Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services.
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21. Based on our current understanding of the significant work which needs to be completed before the Government can consult on detailed proposals the suggestion that any changes will be delayed until 2020/21 seems realistic;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a report warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarter of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy when they introduced the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils.

- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If, or when, the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

- 3.9 A further update report was considered by Finance and Policy Committee on 18 September 2017 and detailed corporate savings which can be achieved in 2018/19 and 2019/20 to reduce the savings still to be identified from £2.320m to £1.641m. As these measures are front loaded this provides a slightly longer lead time to implement additional savings and the revised deficits for these years are as follows:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified	822	1,498	2,320
Less Corporate savings/updated planning assumptions	(544)	(135)	(679)
Revised Savings still to be identified	278	1,363	1,641

- 3.10 Additional savings proposals to be considered by individual Policy Committees in September 2017 are designed to address the remaining 2018/19 deficit of £278,000. Proposals to address the remaining forecast 2019/20 deficit will be developed during 2017/18 and will be reported to future meetings.

#### 4.0 SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

- 4.1 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Adult Services Committee	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Review of Prevention and Housing Related Support (Adult Services)	150	0	150
<b>Total Adult Services Committee:</b>	<b>150</b>	<b>0</b>	<b>150</b>

- 4.2 The 2018/19 approved saving of £150,000 represents the full year effect of a part year saving in 2017/18. This relates to the review of preventative services and housing related support within adult services which realised a part year saving in 2017/18 of £150,000 with the full year effect of £300,000 being achieved in 2018/19.
- 4.3 In 2018/19 and 2019/20 work is also being undertaken within Adult Services to manage pressures through demand management. There are pressures identified in a number of areas including; transition of complex cases from Children's Services to Adult Services; increased demand within adult mental health services and a recurrent financial pressure in relation to Deprivation of Liberty Safeguards.
- 4.4 While managing pressures is very challenging in the context of an ageing population and growing demand in some areas, there are early indications that the approach outlined in the Savings Report to Adult Services Committee in December 2016 is starting to have a positive impact. Initiatives that are contributing to the management of demand include:
- Better Care Fund developments targeted at admission avoidance;
  - Changes to the Resource Allocation System;
  - Implementation of the Adult Resource Panel, and
  - A revised approach to managing contingencies within Direct Payments.
- 4.5 In addition to the proposals outlined above, the following additional savings that will have an impact on Adult Services are recommended for implementation over the next two years. A number of these savings are managed across Adult Services and Children's Services and have not been apportioned to individual service areas. Part of these savings needs to be earmarked to fund departmental budget pressures. As summarised in the following table the impact of these savings and pressures is a net saving towards the remaining budget deficit for 2018/19:

	Pressure /(saving) 2018/19 £'000
<b>Additional savings</b>	
<b>(i) Departmental Salary Abatement target</b> An overall increase of £100,000 can be included in the base budget to reflect turnover of staff and incremental progression. This is a target that is managed across Children's Services and Adult Services with £92,000 contributing to the 2018/19 savings target for Children's Services.	(8)
<b>(ii) Income Generation</b> Increase room hire and conference income at the two venues managed across Adult Services and Children's Services - CIL and CETL.	(50)
<b>Additional savings towards remaining budget deficit</b>	<b>(58)</b>

## **5. RISK IMPLICATIONS**

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.
- 5.2 It is considered that the proposed 2017/18 savings can be delivered, although not without difficulty or some degree of risk. This can be managed in the coming year; however achieving these savings becomes more difficult each year.
- 5.3 There are risks associated with increasing the departmental salary abatement target as vacancies may not arise during the year or may be filled immediately and staff may move through the pay grades and reach the top of pay scale quicker than anticipated i.e. qualifications and experience based progression for Social Workers and Social Care Officers.
- 5.4 There are significant risks associated with achieving savings to manage pressures through demand management. Given the increasing demographic pressures from an ageing population and increasing numbers of adults with complex physical or learning disabilities there is a significant risk that demand will not reduce and may in fact increase. There are also risks that the cost of commissioning services to meet eligible assessed needs increases further linked work that is underway nationally in terms of fair cost of care for residential and domiciliary care. This may result in increased costs for services, even if demand can be constrained or reduced.
- 5.5 Sustainability beyond 2018/19 will require careful management and if the proposed approach does not deliver the savings required on a sustainable basis, alternative savings proposals will need to be identified.

## **6. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 6.1 By definition, all savings proposals within adult services will affect people who access adult services, including some of the most vulnerable groups within the local population. This includes all those who are over eighteen and assessed as having eligible needs (older people, people with learning disabilities, sensory loss or a physical disability, people with mental health



needs, people who have alcohol dependency or substance misuse issues and carers).

- 6.2 An assessment has indicated that none of the current proposals require an Equality Impact Assessment as the proposals will have limited impact on people accessing services and no disproportionate impact on people who share protected characteristics.

## **7. LEGAL CONSIDERATIONS**

- 7.1 There are no legal considerations identified.

## **8. CHILD AND FAMILY POVERTY CONSIDERATIONS**

- 8.1 There are no child and family poverty considerations identified.

## **9. STAFF CONSIDERATIONS**

- 9.1 Staffing implications associated with the savings proposals considered by individual Policy Committees will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities.
- 9.2 There are no staffing implications associated with savings proposals for Adult Services in 2018/19.

## **10. ASSET MANAGEMENT CONSIDERATIONS**

- 10.1 There are no asset management considerations identified.

## **11. CONSULTATION**

- 11.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

## 12. CONCLUSION

- 12.1 The Council approved a multi-year financial strategy in February 2017, which included the phased use of reserves to help manage budget reduction over the period 2017/18 to 2019/20. The strategy also approved savings for implementation in 2018/19 and 2019/20 to begin to address the budget deficits for these years.
- 12.2 The proposals in this report details changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 and 2019/20 budget shortfalls.
- 12.3 At a corporate level the proposal identified for individual Policy Committees will enable a balanced budget to be set for 2018/19. The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 of £1.363m will be developed during 2017/18.
- 12.4 Achievement of further savings for 2019/20 will be challenging and will require further changes, whilst ensuring services are maintained as far as practical, or the implications of reducing capacity are reflected in service requirements.
- 12.5 There are a number of risks which may increase the 2019/20 deficit, including the funding arrangements for Children's Services and the actual level of pay awards. These issues will be kept under review and details of any changes will be reported to future meetings.
- 12.6 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.
- 12.7 The achievement of further savings in Adult Services is challenging due to known pressures, potential pressures that are not yet quantified and the demand led nature of the service area. The proposals set out in this report to achieve a previously approved saving of £150,000 and further savings towards the remaining budget deficit for 2018/19 are based on further efficiencies and service reviews, with an expectation that service delivery can be transformed in 2018/19 and 2019/20 to manage pressures.

### **13. RECOMMENDATIONS**

- 13.1 It is recommended that Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 20 November 2017.

### **14. REASON FOR RECOMMENDATIONS**

- 14.1 The proposals included in this report have been identified as being sustainable and deliverable.

### **15. BACKGROUND PAPERS**

- 15.1 The following background papers were used in the preparation of this report:-

Council

Medium Term Financial Strategy 2017/18 to 2019/20 - 25 February 2017

Finance and Policy Committee

Medium Term Financial Strategy 2018/19 to 2019/20 - 24 July 2017

### **16. CONTACT OFFICER**

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# REGENERATION SERVICES COMMITTEE

15 September 2017



**Report of:** DIRECTOR OF REGENERATION &  
NEIGHBOURHOODS

**Subject:** SAVINGS PROGRAMME 2018/19

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Part of the Budget and Policy Framework.

## 2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings in 2018/19.

## 3. BACKGROUND

3.1 A comprehensive report on the “Council Plan and Medium Term Financial Strategy – Capital and Revenue” was considered at the Finance and Policy Committee on 2<sup>nd</sup> December 2016. The report stated that despite the impact of continuing austerity and cuts in Government funding the Council needs to remain ambitious for the town.

3.2 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;
- Building better beginnings and futures for our children and young people;
- Providing effective leadership based upon innovation and efficiency.

3.3 A report to Council on 23<sup>rd</sup> February 2017 approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of £1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years.

- 3.4 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
<b>Gross Deficit</b>	<b>7.314</b>	<b>3.758</b>	<b>11.072</b>
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
<b>Sub Total – Deficit after Council Tax increases and forecast housing growth</b>	<b>4.955</b>	<b>2.540</b>	<b>7.495</b>
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
<b>Cuts still to be identified</b>	<b>0.822</b>	<b>1.498</b>	<b>2.320</b>

- 3.5 An update of the MTFS was considered by Finance and Policy Committee on 24<sup>th</sup> July and this confirmed the financial forecasts detailed in the previous paragraph. The update report also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.6 The MTFS forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.
- 3.7 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.
- 3.8 For Local Authorities policies implemented by the national Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services.
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21. Based on our current understanding of the significant work which needs to be completed before the Government can consult on detailed proposals the suggestion that any changes will be delayed until 2020/21 seems realistic;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a reporting warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarter of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy when they introduced the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils.
- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund

higher pay increases. If, or when, the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

- 3.9 A further update report will be considered by Finance and Policy Committee on 18<sup>th</sup> September 2017 and detailed corporate savings which can be achieved in 2018/19 and 2019/20 to reduce the savings still to be identified from £2.320m to £1.641m. As these measures are front loaded this provides a slightly longer lead time to implement additional savings and the revised deficits for these years are as follows:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified	822	1,498	2,320
Less Corporate savings/updated planning assumptions	(544)	(135)	(679)
Revised Savings still to be identified	278	1,363	1,641

- 3.10 Additional savings proposals to be considered by individual Policy Committees in September are designed to address the remaining 2018/19 deficit of £278,000. Proposals to address the remaining forecast 2019/20 deficit will be developed during 2017/18 and will be reported to future meetings.

#### 4. SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

- 4.1 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Regeneration Services Committee	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Cultural services	30		30
<b>Total regeneration Services Committee:</b>	<b>30</b>		<b>30</b>

- 4.2 In relation to the 2018/19 approved savings work is progressing to implement these proposals and Member are advised that the savings will be achieved as planned. With regard to the savings to be identified from Cultural Services and Heritage and Countryside this will be achieved by implementing the following savings:

- **Cultural Services - £30,000**

Deletion of one post

- 4.3 In addition to the savings proposals outlined above the following additional savings are recommended for implementation over the next two years. Part of these savings needs to be earmarked to fund departmental budget pressures. Departmental pressures relate to cost associated with domestic waste and recycling collection services and the Household Waste Recycling Centre on Burn Road. In addition the income risk reserves set aside for Building Control, Planning and Economic Development and Car Parking inflation have been fully used in 2016/2017 so there is no reserve funding currently to manage this risk going forward.
- 4.4 As summarised in the following table the net impact of these savings and pressures is a net saving towards the remaining budget deficits for 2018/19.

	Pressure /(saving) 2018/19 £'000
<b>Additional savings</b>	
<b>Regeneration</b>	
Economic Development	(50)
Housing	(80)
Planning	(20)
<b>Neighbourhoods</b>	
Highways Trading account	(20)
Traffic & Transport	(40)
Sustainable transport	(20)
Passenger Transport	(40)
<b>Finance &amp; Policy</b>	
Community Safety	(50)
Sub Total – Recommended additional savings	(320)
Less Departmental pressures	100
Additional savings towards remaining budget deficit	(220)

- 4.5 In addition to the savings proposals outlined above the following additional savings are recommended for implementation over the next two years. Part of these savings needs to be earmarked to fund departmental budget pressures. Departmental pressures relate to cost associated with domestic waste and recycling collection services and the Household Waste Recycling Centre on Burn Road. In addition the income risk reserves set aside for Building Control, Planning and Economic Development and Car Parking inflation have been fully used in 2016/2017 so there is no reserve funding currently to manage this risk going forward.
- 4.6 In relation to the 2018/19 savings referred to in table 4.4 above they will be achieved by implementing the following :

- **Economic Regeneration - £50,000**

Deletion of one vacant post (bumped redundancy)



- **Housing - £80,000**

Proposed restructure will result in the deletion of two posts through accepting voluntary redundancy requests.

- **Planning - £20,000**

Proposed restructure will result in the deletion of one fixed term contract post.

## 5. RISK IMPLICATIONS

5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.

5.2 It is considered that the proposed 2017/18 savings can be delivered, although not without difficulty or some degree of risk. This can be managed in the coming year; however achieving these savings becomes more difficult each year.

5.3 The risks are real and should not be ignored, particularly taken in the context of previous savings which have been made. The assessments which have been undertaken, the summary of the conclusions from this are included in the sections above in the context they have been described are viewed as being manageable but only with there being a significant need to review workloads, priorities and for the potential scaling back of a number of current activities in line with the resources available.

5.4 It is considered that these savings can be delivered, although not without difficulty or some degree of risk but that this can be managed in this year, however achieving these savings becomes more difficult each year, which is the case in other departments. The following points highlight the key risks;

- Reduced staff morale. Where restructuring or reducing budgets has a continuing impact as the level of staff left to deliver services, it is essential to engage fully with those staff in order services are delivered in an effective and efficient way.
- Reduced operational budgets can lead to a reduced ability to deliver key targets, outputs and outcomes.
- Response times to enquiries and subsequent actions.
- Income targets not been met.
- Insufficient reserve to fund posts.
- Reputational damage for the Council. With the continued reduction in budgets and the ability to deliver frontline services through reduced staffing capacity, there is a real danger the Council's reputation will suffer. There may be an increase in the number of complaints or a reduction in the level of customer satisfaction.

- The Regeneration of the town and the key priorities referred to in the report are dependent upon capital funds, without external grants or loans we will not be able to deliver our ambitions and regenerate our town. The TVCA will be the vehicle for direct investment in the Tees Valley and it is essential the Council plays a full and active role within it.

## 6 EQUALITY AND DIVERSITY CONSIDERATIONS

- 6.1 For each of the proposed savings areas where there is likely to be a direct impact on customers/service users and/or staff, consideration is given to the impact across each of the protected characteristic groups. This is recorded through an Equality Impact Assessment (see **Appendix 1**).
- 6.2 More than 90% of the above savings will be made by reducing staffing levels (mainly from vacant posts and ER/VR applications and changes to funding arrangements) with some changes to day to day running costs and significant savings being made from different funding arrangements for the Tees Valley Combined Authority.
- 6.3 This impact assessment will be reviewed by the Corporate Equality Group alongside those for the other Department savings proposals. An overall Equality Impact Assessment will be undertaken to identify if there is any Council-wide cumulative impact on protected groups from the savings proposals for the current proposed savings framework.

## 7 LEGAL CONSIDERATIONS

- 7.1 There are no specific legal considerations relating to this report

## 8 CHILD AND FAMILY POVERTY

- 8.1 There are no specific child and family poverty considerations relating to this report.

## 9 STAFF CONSIDERATIONS

- 9.1 There will be staffing implications associated with the savings proposals considered by individual Policy Committee and these will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities.

## 10 **ASSET MANAGEMENT CONSIDERATIONS**

- 10.1 There are no specific asset management considerations relating to this report.

## 11 **CONSULTATION**

- 11.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

## 12 **CONCLUSION**

- 12.1 The Council approved a multi-year financial strategy in February 2017, which included the phased use of reserves to help manage budget reduction over the period 2017/18 to 2019/20. The strategy also approved savings for implementation in 2018/19 and 2019/20 to begin to address the budget deficits for these years.
- 12.2 The proposals in this report details changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 and 2019/20 budget shortfalls.
- 12.3 At a corporate level the proposal identified for individual Policy Committees will enable a balanced budget to be set for 2018/19. The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 of £1.363m will be developed during 2017/18.
- 12.4 Achievement of further savings for 2019/20 will be challenging and will require further changes, whilst ensuring services are maintained as far as practical, or the implications of reducing capacity are reflected in service requirements.
- 12.5 There are a number of risks which may increase the 2019/20 deficit, including the funding arrangements for Children's Services and the actual level of pay awards. These issues will be kept under review and details of any changes will be reported to future meetings.
- 12.6 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure

the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.

- 12.7 Recognising the austere climate and the savings the Council has to achieve in line with Government policy, the department has aligned and prioritised resources to focus on achieving the Council's ambition for Economic Growth and development.
- 12.8 It is important to note that in addition to the savings required to support the Council's overall savings programme it has been necessary to identify savings to fund budget pressures within the department. Pressures include the income pressures of £100k in relating to the cost associated with domestic waste and recycling collection services and the Household Waste Recycling Centre on Burn Road. In addition the income risk reserves set aside for Building Control, Planning and Economic Development and Car Parking inflation have been fully used in 2016/2017 so there is no reserve funding currently to manage this risk going forward. Inflation adds pressure each year and this should be removed as part of the budget build – which requires savings to be identified in other areas. There is a possibility of a 20% fee increase in Planning which will reduce the risk on planning income but we await full and final guidance. A reserve may be another way to manage this risk if budgets cannot be reduced permanently and would have to be considered as part of this year's reserves review.

## 13 RECOMMENDATIONS

- 13.1 It is recommended that Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 20<sup>th</sup> November 2017.

## 14 REASON FOR RECOMMENDATIONS

- 14.1 The proposals included in this report have been identified as being sustainable and deliverable.

## 15 BACKGROUND PAPERS

- 15.1 The following background papers were used in the preparation of this report:-
- i. Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017
  - ii. Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

**16 CONTACT OFFICERS**

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## APPENDIX 1

## EQUALITY AND DIVERSITY IMPACT ASSESSMENT

Department	Division	Section	Owner/Officer
Regeneration and Neighbourhoods	Regeneration	All	Denise Ogden
Function/ Service	<ul style="list-style-type: none"><li>• Planning and Housing Services</li><li>• Building Control</li><li>• Economic Regeneration</li><li>• Estates &amp; Regeneration</li><li>• Adult Education-Learning and Skills</li><li>• Culture and Information</li></ul>		
Information Available	A significant range of information is available at both macro and micro levels. Socio economic data is provide by the Office of National Statistics, which can be broken down to local areas. In addition data is collected via employability and training programmes. Housing data is collected at both a national and local level. Cultural Services derive data directly from service users including residents using, libraries and community centres'. The development of the new Local Plan sets out a framework for growth thereby positively impacting on socio economic wellbeing.		
Relevance  Identify which strands are relevant or may be affected by what you are reviewing or changing	Age		X
	Disability		X
	Gender Re-assignment		X
	Race		X
	Religion		
	Gender		X
	Sexual Orientation		X
Marriage & Civil Partnership		X	
Pregnancy & Maternity		X	
Information Gaps	The proposals do not specifically impact on 3 <sup>rd</sup> parties. There are no specific gaps in information relating to the proposals.		
What is the Impact	The impact on Council employees has been minimised and the savings are largely based on ER/VR requests and deletion of vacant and fixed term posts. Impacts on service users has been minimised although in some instances response times maybe affected..		
Addressing the impact	The outcome of the impact assessment may be one or more of the following four outcomes; You must clearly set out your justification for the outcome/s.		
	1. No Impact- No Major Change – 2. Adjust/Change Policy - Whilst at this stage the proposals for savings are not likely to have a significant adverse impact as noted in the main report a review should be carried out 6 months		

**APPENDIX 1**

after any changes are implemented in the areas that may see slower response times and possible reductions in the hours that services are available to the public. In addition progress on income targets should be reviewed at 6 month intervals.			
<b>3. Adverse Impact but Continue -</b>			
<b>4. Stop/Remove Policy/Proposal –</b>			
<b>Actions</b>			
<i>It will be useful to record and monitor any actions resulting from your assessment to ensure that they have had the intended effect and that the outcomes have been achieved.</i>			
Action identified	Responsible Officer	By When	How will this be evaluated?

Date sent to Equality Rep for publishing	00/00/00
Date Published	00/00/00
Date Assessment Carried out	09/08/2016

**EXTRACT FROM MEDIUM TERM FINANCIAL STRATEGY REPORT**  
**CONSIDERED BY FINANCE AND POLICY COMMITTEE 18<sup>TH</sup> SEPTEMBER 2017**

**5.0 FINANCE AND POLICY COMMITTEE - SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS**

5.1 The Committee's remit covers three departments and details of the savings proposals for these areas are provided in the following paragraphs.

**5.2 Chief Executive's Department**

5.3 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

<b>Finance &amp; Policy Committee - Chief Executive's Department</b>	<b>Approved Savings 2018/19 £'000</b>	<b>Approved Savings 2019/20 £'000</b>	<b>Total Approved Savings £'000</b>
Further review of management and operational structures	300	235	535
<b>Total for Finance and Policy Committee - Chief Executive's</b>	<b>300</b>	<b>235</b>	<b>535</b>

5.4 In relation to the 2018/19 approved savings work is progressing to implement these proposals and Member are advised that the savings will be achieved by implementing the following proposals:

- **Removal of vacant posts/changes in operational arrangements - £171,000**  
The savings will be achieved by restructuring across the department (£141,000) and the removal of overtime budgets (£30,000).
- **Running costs - £59,000**  
Cash freeze of non pay budgets and review of non pay budgets to reflect historic spend.
- **Income budgets - £70,000**  
Re-alignment of income budgets to reflect historic trends.

5.5 Further work will be required to implement the 2019/20 approved savings and details will be reported to Members next year of how these savings will be achieved.

**5.6 Regeneration and Neighbourhoods**

5.7 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:



<b>Finance &amp; Policy Committee – Regeneration &amp; Neighbourhoods</b>	<b>Approved Savings 2018/19 £'000</b>	<b>Approved Savings 2019/20 £'000</b>	<b>Total Approved Savings £'000</b>
<b>Service Review - £50,000</b> , The authority previous contributed £311k to the Tees Valley LEP. When the Combined Authority was established this reduced to £50k, although the MTFS had forecast a reduction to nil. The shortfall in finding this saving has been identified in Community safety budget through the collaboration between the authority and police service review. This includes reviewing current working practices, a number of options are being worked upon which will be reported to Members as part of the follow up to the introduction of the new integrated Community safety / policing model.	50	0	0
<b>Total R&amp;Ns Services Committee:</b>	<b>50</b>	<b>0</b>	<b>50</b>

## 5.8 Public Health – General Fund

The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

<b>Finance &amp; Policy Committee – Public Health Department</b>	<b>Approved Savings 2018/19 £'000</b>	<b>Approved Savings 2019/20 £'000</b>	<b>Total Approved Savings £'000</b>
Community Hubs	83	(76)	7
<b>Total for Finance and Policy Committee – Public Health</b>	<b>83</b>	<b>(76)</b>	<b>7</b>

- 5.9 As reported to Finance and Policy Committee on 2<sup>nd</sup> December 2016 a three year savings strategy for Community Hubs was approved covering the financial years 2017/18 to 2019/20. This achieves a gross saving of £200,000 over this period. After reflecting the costs associated with Owton Manor Community Centre and West View Community Hub there is a net saving of £30,000 (£23,000 in 2017/18 and £7,000 in 2018/19 and 2019/20). The Community Hubs are now operational and work is progressing to achieve the budget savings.

**5.10 Housing Benefit Administration Grant 2018/19**

- 5.11 The savings detailed in the previous paragraph exclude the additional savings which will be required to address a further forecast cut in the Housing Benefit Administration grant in 2018/19. This will be the eighth year this grant has been cut. The 2017/18 grant is 39% less than the grant received in 2010/11. In line with the approach adopted for the General Fund budget vacant posts and requests for voluntary redundancy will be considered to address the funding reduction, alongside further measures to redesign services. However, it is becoming increasingly difficult to maintain service standards in this area, against a background of continuing cuts in the Housing Benefit Administration grant.
- 5.12 There will be more significant changes in this service area and the level of Government funding in 2019/20 owing to the impact of the roll-out of Universal Credit by the Government. This change will remove responsibility for administering Housing Benefit for working age households, although responsibility will remain with the Council for Housing Benefit for 3,100 pensioners. In addition, the Council will remain responsible for administering Local Council Tax Support for approximately 8,100 working age and 5,500 pensioner households. To address the impact of these changes and ensure the Council continues to support vulnerable households the Council will need review the arrangements for managing residual Housing Benefit responsibilities for pensioners and LCTS for both working age and pensioner households, with a reduced level of funding for administrative responsibilities. This review will also need to include other support services provided to these groups, such as User Property and Finance, to ensure the Council maximises support to vulnerable groups. Further information will be reported when it is provided by the Government.

# Finance and Policy Committee

22 November 2017



**Report of:** Director of Finance and Policy

**Subject:** LOCAL COUNCIL TAX SUPPORT 2018/19

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## 1. TYPE OF DECISION / APPLICABLE CATEGORY

1.1 Budget and Policy Framework Decision.

## 2. PURPOSE OF REPORT

2.1 The purposes of the report are to:

- i) Update Members on the operation of the Local Council Tax Support (LCTS) scheme and the scheme's future financial risks associated with the Government's national welfare reforms;
- ii) set out a proposed LCTS scheme for 2018/19;

## 3. BACKGROUND

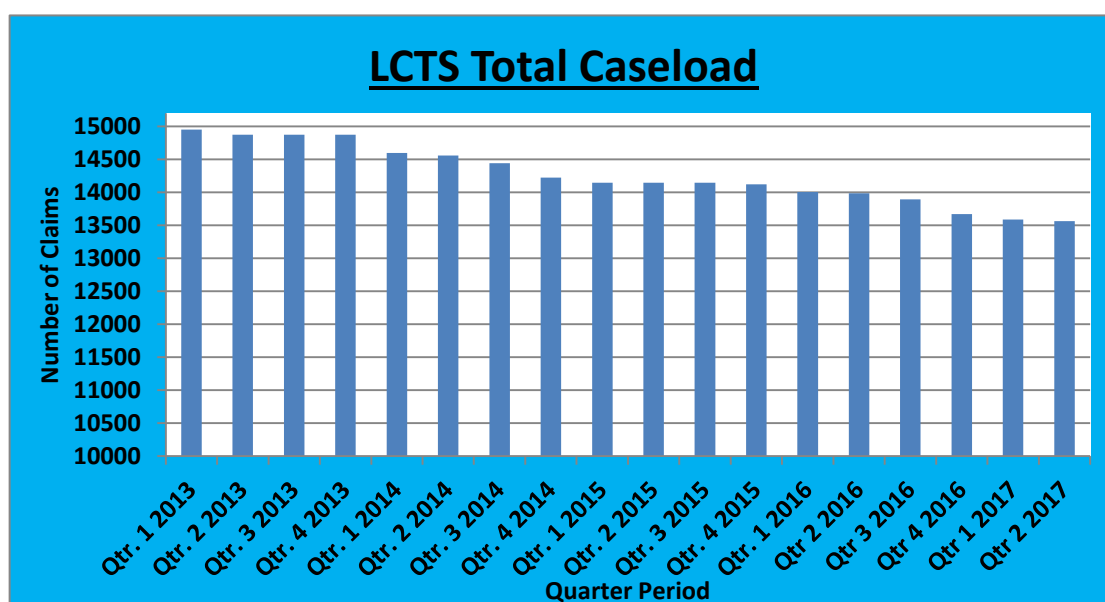
- 3.1 The Coalition Government abolished the former national Council Tax Benefit scheme on 31<sup>st</sup> March 2013 and replaced it with a requirement for Councils to determine and operate their own LCTS schemes from April 2013.
- 3.2 This was a fundamental change to the Welfare State which transferred responsibility for Council Tax support from the national Government to individual Councils. Previous reports to Members have set out three key issues arising from this change:-
  - (i) Funding transferred by the Government for 2013/14 LCTS schemes was cut overall by 10% nationally. However, when account was taken of the value of awards, the initial grant cut for Hartlepool for 2013/14 was 13.4%;
  - (ii) Councils are required to fully protect low income Pensioners eligible for LCTS support, which means the initial funding cut falls on working age households and effectively built a 20% reduction for this group into the system;

- (iii) Since April 2014 Central Government funding for LCTS is no longer provided as a separate grant allocation but has been included in the annual Core Revenue Grant allocation for individual Councils.
- 3.3 It would have been much clearer for Councils and the public, if funding for LCTS schemes had continued to be paid as a specific grant. The new arrangements have a significantly greater impact on Councils which are more dependent on Government Grant and have higher levels of deprivation.
- 3.4 Previous Medium Term Financial Strategy reports have highlighted the implications of this change and the ongoing annual reductions in Revenue Support Grant. Despite these challenges, the Council has been able to avoid implementing LCTS cuts of 20% over the last five years and has limited the reduction in support to:
- 8.5% in 2013/14;
  - 12% in 2014/15;
  - 12% in 2015/16;
  - 12% in 2016/17;
  - 12% in 2017/18.
- 3.5 Details of the number of households and the value of support they have received in Hartlepool, as compared to a 20% LCTS scheme are provided in section 7.1. All other Tees Valley councils operated LCTS schemes involving cuts of 20% since April 2013, albeit Redcar and Cleveland moved to a 17.5% scheme for 2017/18 and Middlesbrough has recently consulted on potentially moving to a LCTS scheme with a level of cut of 15% or 17.5% for 2018/19 instead of 20%.
- 3.6 At a national level Councils are finding it increasingly difficult to balance supporting LCTS schemes and General Fund services as Central Government grant cuts continue. This trend is set out in a report by the New Policy Institute (NPI) April 2017 which identified that for 2017/18, 33 councils increased the level of cut to their LCTS schemes and 5 Council's introduced a minimum payment towards Council Tax from working age households.
- 3.7. The actual cost of the Council's LCTS scheme is determined by a range of external factors including, the total number of households accessing support, the balance of claimants between pensionable age and working age and the particular financial circumstances of individual claimants as Council Tax support continues to be means tested support.
- 3.8. The Council now has five years experience of operating a LCTS scheme covering:

- 2013/14, 2014/15, 2015/16, 2016/17 – both estimated costs and outturn costs;
- 2017/18 – estimated costs

3.9 On the basis of this experience, the LCTS financial model has been updated to reflect changes in the key cost drivers – i.e. claimant numbers and Council Tax collection levels, as detailed in the following paragraphs.

3.10 **Claimant numbers** - Since June 2013, there has been a gradual reduction in the numbers of households receiving LCTS covering both Pensioner Households (a protected group under LCTS) and Working Age Households.

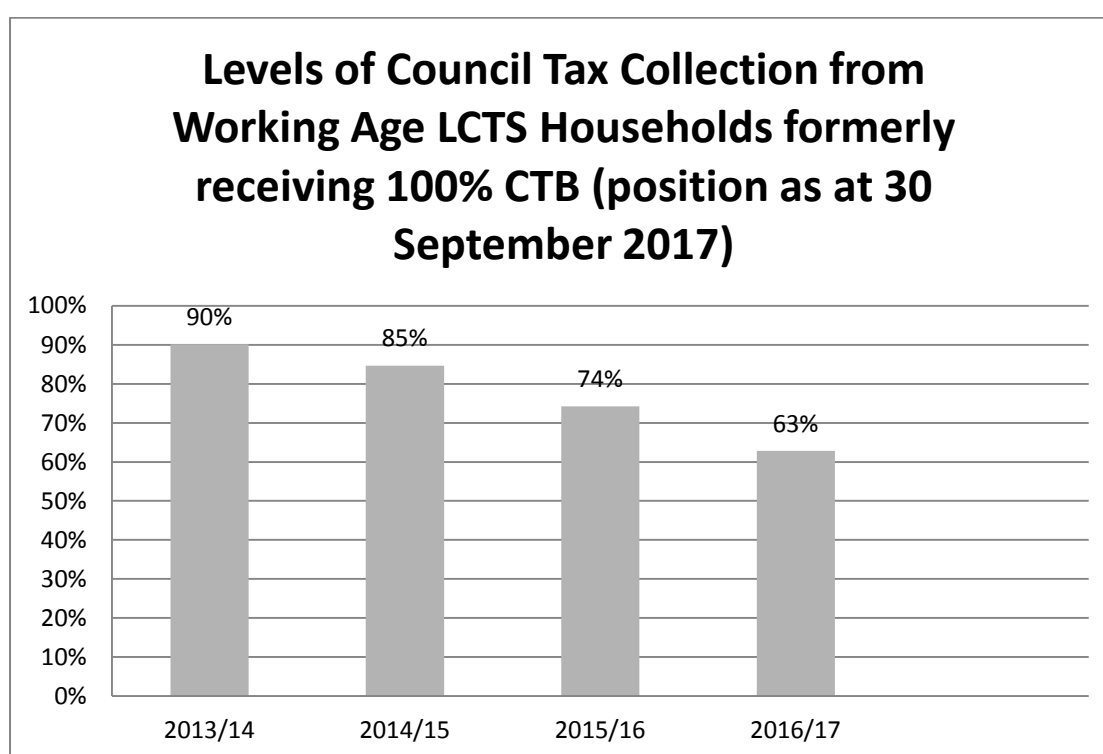


3.11 This trend was reflected in the 2017/18 LCTS scheme modelling. An updated assessment of caseload trends has been completed and further reductions in claimant numbers are anticipated for future years and these have been factored into scheme forecasts. However, as well as global economic volatilities, there are economic and employment uncertainties following the decision to leave the European Union, which may impact in the medium term. In addition, the LCTS scheme will in future years continue to be impacted by further national welfare reforms.

3.12 **Collection Levels** – in Hartlepool, the operation of the LCTS scheme means that in 2017/18 about 5,900 working age households have received a Council Tax Bill who would have been exempt under Council Tax Benefit; and a further 2,200 working age households have received a higher Council Tax Bill. Robust and proportionate arrangements for collecting Council Tax from LCTS households are embedded within the Council's recovery arrangements to reflect the financial circumstances of

households, whilst balancing the needs of the Council to collect this income to pay for services.

- 3.13 Collecting Council Tax from LCTS households is more difficult and resource intensive, as these households are significantly less likely to pay by Direct Debt and make payments in different ways i.e. Attachment of Benefit Order and a greater proportion who pay by cash, either at the Civic Centre or via the Post Office and Paypoint network at local shops.
- 3.14 The Council monitors particularly closely levels of collection from those households, who prior to April 2013, received full Council Tax Benefit. The graph below shows that collection of Council Tax from these households is positive, albeit there is the anticipated time lags in securing collection. This positive position has been reflected in the revised scheme forecasts for 2018/19 onwards.



- 3.15 Modelling the LCTS scheme costs beyond the forthcoming financial year is complex and challenging owing to the many variables affecting scheme costs, including the total number of claimants, both pensioner households and working age households, individual claimants' financial circumstances and eligibility for support.

#### 4. PROPOSALS

- 4.1. Members need to determine a LCTS scheme for 2018/19 that is financially viable and balanced providing for sustainability in future year's schemes.
- 4.2. Updated financial modelling indicates that the 2018/19 LCTS scheme reduction should be able to be maintained at 12%, the same level as 2014/15, 2015/16, 2016/17 and 2017/18. This is predicated on the actual central government grant cut for 2018/19 being consistent with the indicative data provided in the DCLG multi-year settlement offer and a range of forecast scheme cost pressures and savings linked to welfare reforms, economic factors and fraud / error initiatives. If the future settlement funding profile and the Council's Tax Base projections remain stable a 12% scheme should be sustainable in 2019/20. However, if there are any significant adverse changes to current forecasts, the ability of the Council to sustain a scheme involving a 12% LCTS cut beyond 2019/20 will need to be re-evaluated.
- 4.3 The sustainability of the position for 2020/21 and future years will be critically dependant on the impact of the Government's Fair Funding Review and arrangements for implementing 100% Business Rates Retention. There are increasing calls on the Government that funding for LCTS needs to be removed from these arrangements and a separate specific grant reinstated. Further updates will be provided when more information is provided by the Government.
- 4.4 As previously reported to Members, a LCTS Risk Reserve had been established to support the LCTS scheme and to provide one-off funding to manage the risk of an unexpected in-year increase LCTS costs arising from increased caseloads. It is proposed to maintain this reserve at £0.3m to manage in-year financial risks.
- 4.5 LCTS entitlements are determined using a complex means tested calculation. Many councils are applying within their LCTS schemes those changes being applied by the DWP to the national Housing Benefit scheme. This approach has historically been followed in the Hartlepool LCTS scheme and it is proposed that this continues for 2018/19 to "mirror" the national changes to promote consistency and simplify administrative processes
- 4.6 A number of core principles as set out in section 5.7 underpin the Council's LCTS scheme and have been in place since 2013/14. As these principles are embedded and robust it is recommended that these principles are retained for the 2018/19 scheme.

## 5 FINANCIAL CONSIDERATIONS

- 5.1. The LCTS scheme forecasts for 2018/19 and future years have been updated to reflect experience of operating the LCTS scheme to date and the latest caseload forecasts. These scheme cost forecasts are based on annual Council Tax increases of 1.9% plus the Adult Social Care precept for 2018/19 of 3%.
- 5.2. In summary, the updated financial forecasts for the LCTS scheme for the period 2017/18 to 2019/20 are based on the following planning assumptions:

Key Planning assumptions underpinning LCTS forecasts for 2017/18 to 2019/20

- i) The actual future grant cuts for 2018/19 and 2019/20 being in line with the existing planning assumptions and the multi-year settlement offer from DCLG;
  - ii) The existing Working Age caseload continuing to incrementally reduce;
  - iii) The retention of an un-committed LCTS Risk Reserve of £0.3m to manage LCTS financial risks to provide a slightly longer lead time for the Council to respond to changes in forecasts ;
  - iv) Council Tax increases of 1.9% (plus the 3% social care precept) in the years 2017/18 and 2018/19;
  - v) LCTS entitlements continue to reduce linked to the impacts of DWP counter fraud and error initiatives ;
- 5.3. Regular reviews of these factors will continue to be undertaken to assess the implications of any changes in these planning assumptions which are inevitable and unavoidable, as the majority of factors are outside the Council's direct control.
- 5.4. There is a direct inter- relationship between the LCTS scheme, the level of cut in LCTS awards, adjustments for forecast non collection of Council Tax from LCTS households and the Council Tax Base calculation. The Council Tax Base calculation is also significantly impacted by future housing growth within the Borough.
- 5.5. The following table summarises how the value of LCTS awards is forecast to increase over the period of the MTFS (based on sustaining a 12% LCTS cut). This has been factored into the MTFS Tax Base forecasts reported separately to Members.



Forecast Cost of LCTS Awards  
2017/18 to 2019/20

	17/18 £m	18/19 £m	19/20 £m
Cost of LCTS Support	12.62	12.96	13.12
Working Age Contribution 12%	0.92	0.95	0.97
Net Cost of LCTS Awards	<u>11.70</u>	<u>12.01</u>	<u>12.15</u>

5.6. Continuing with a 12% LCTS cut for 2018/19 would avoid an increase in the Council Tax liability of low income working age households at a time when households continue to be impacted by the Government's ongoing welfare savings programme. This level of LCTS support will also increase the likelihood of the Council maintaining high levels of Council Tax collection in 2018/19. A report by the New Policy Institute in August 2017 concluded that local authorities with the highest levels of cut in LCTS had the largest increases in uncollected Council Tax.

5.7. In common with LCTS schemes established by many other Councils, the Hartlepool LCTS scheme has been centred on a number of core principles for the period 2013/14 to 2017/18. These core principles are clear, fair and are now embedded. In summary these principles are that:

**A - Every working age household should pay something towards Council Tax**

All Working age claimants will have their LCTS entitlements recalculated and reduced to ensure an affordable and sustainable scheme.

**B - Everyone in the Household should contribute appropriately**

Hartlepool will implement Central Government changes to the value of non dependant adult deductions from Council Tax Support entitlements.

**C - The LCTS scheme should encourage work**

Claimants will be allowed to keep more of their earnings before they are taken into account in the LCTS award calculation. The Hartlepool LCTS scheme increases earnings disregards by £5 per week; to £10, £15 and £30 for single person, couple and single parent households respectively.

**D - Streamline / Simplify the LCTS Scheme**

The Hartlepool LCTS scheme will continue to remove 2<sup>nd</sup> Adult Rebate, and restrict backdating of LCTS to a maximum of 4 weeks.

**E - Retain War Widows / War Pensions Local disregards framework**

Under the national CTB regulations Local Authorities are required to disregard the first £10 per week of War Pension Scheme and Armed Forces Compensation Scheme payments. In addition Local Authorities have the discretion to top up the disregard to the full amount. Hartlepool have historically applied the discretionary top up and this continues to apply in the Council's LCTS scheme.

- 5.8. In relation to Parish Councils, the national regulations require Billing Authorities (i.e. Hartlepool Borough Council) to pass on an element of the Council Tax Support Grant received to individual Parish Councils. For some Local Authorities with a large number of Parish Councils levying relatively high Parish Council Tax precepts this may be a significant issue. This is not the case for Hartlepool as the total share of the grant for all Parish Councils is estimated at around £4,000 for 2018/19.
- 5.9. In summary the continuation of a 12% LCTS scheme for 2018/19 is financially sustainable and reflected in the MTFS forecasts.

**6 LEGAL CONSIDERATIONS**

- 6.1. Councils are required to determine and operate their own LCTS scheme for each financial year. Once a LCTS scheme has been set for a financial year it cannot be altered for that year.

**7 CHILD / FAMILY POVERTY CONSIDERATIONS**

- 7.1. Households in receipt of welfare benefits continue to be impacted by the breadth of the national welfare reforms. If the Council were to approve a 12% LCTS cut for 2018/19, the Council's locally approved LCTS scheme will have provided the following financial support to low income working age households compared to annual LCTS cuts of 20% over the 6 years up to March 2019. Most other Tees Valley councils have operated LCTS schemes involving cuts of 20% since April 2013. This position is summarised below:

Impact of Hartlepool's actual 2013/14 to 2017/18 LCTS scheme and proposed 2018/19 LCTS cut compared to annual cuts of 20%.

	Band A	Band B
Council Tax Liability with a 20% LCTS cut in 2013/14, to 2018/19.	£ 1,410	£ 1,645
Council Tax Liability with <u>HBC phased LCTS cuts</u> of 8.5 % in 13/14 and 12% in 14/15, 15/16, 16/17,17/18 and 18/19.	£ 806	£ 941
<b>Cumulative Support to Households 2013/14 to 2018/19</b>	<b>£ 604</b>	<b>£ 704</b>
Number of Households Supported (i.e. who previously received 100% Council Tax Benefit)	5,279	441
Percentage of LCTS Households (i.e. who previously received 100% Council Tax Benefit)	90%	7%

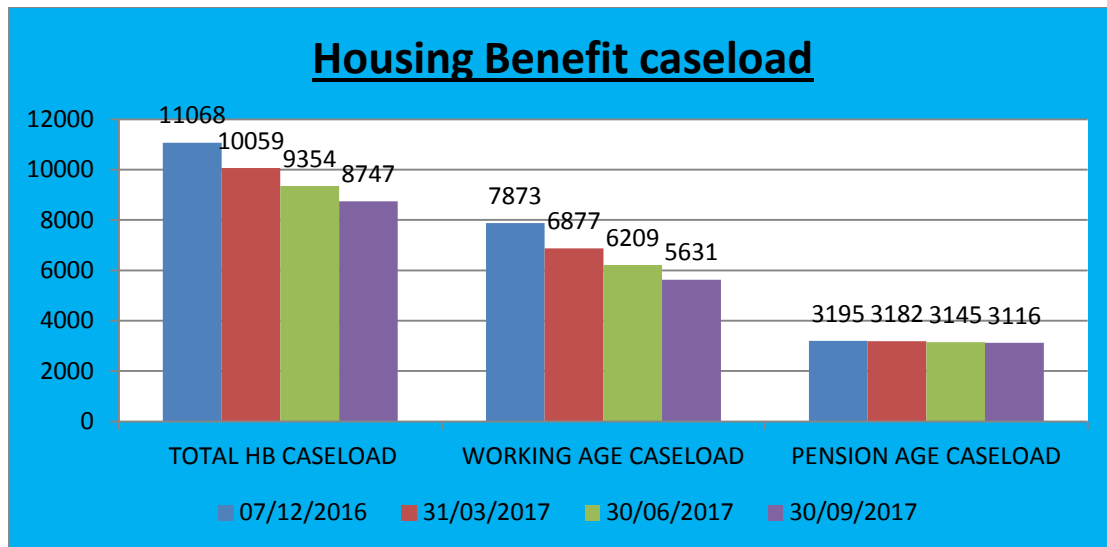
- 7.2. Furthermore, the Hartlepool LTCS scheme complements the recently approved local policy of exempting Hartlepool Care Leavers from Council Tax until the age of 25. The Care Leaver policy removes a key financial challenge and provides an additional foundation as Care Leavers move to independence and adult life.

## 8. EQUALITY AND DIVERSITY CONSIDERATIONS

- 8.1. An Impact Assessment covering LCTS has been reviewed and is included as **Appendix A**.

## 9 STAFF CONSIDERATIONS

- 9.1. The scope of the DWP's Universal Credit (UC) initiative continues to expand as councils move to "full service UC" whereby benefit claimants of all types are moved onto UC when their personal circumstances change. Nationally, as at September 2017 there are about 610,000 working age people receiving UC and the DWP forecast that numbers will grow significantly over the next 2 years.
- 9.2 Hartlepool went live with Full Service UC in the early phases of the national roll out in December 2016 and by the end of September 2017 about 2,200 working age cases (28% of those claiming housing benefit) have moved to UC. This caseload transfer is closely monitored as shown in the graph below:



- 9.3 If the current rate of transfer of claimants to UC were to be sustained, then all working age cases eligible to move to UC will have transferred by Spring 2019.
- 9.4 Under UC where a household has a housing support entitlement i.e. housing benefit, in most scenarios this support will be paid monthly by the DWP within UC and will no longer be paid by councils. These households will continue to have a LCTS entitlement but the administration of LCTS will become more challenging covering the claim process and validating financial information to support the income based means tested calculations.
- 9.5 There are current economies and efficiencies in administering LCTS as many of the underlying principles mirror the national Housing Benefit scheme and funding is provided annually by the DWP to councils to administer Housing Benefit. Many claims for support are dual, covering both Housing Benefit and LCTS and the process and calculations of entitlement are undertaken together.
- 9.6 However, it is predicted that at a future date the DWP will reduce the Housing Benefit administration grant it pays to Councils, as working age cases move to UC. It should be noted that there are no national plans at this stage to move pension age housing benefit away from Councils and some working age claimants in specific types of accommodation are also likely to continue to receive Housing Benefit from councils.
- 9.7 In future, all Councils will face the challenge of administering LCTS against a background of reduced central government administration funding. The Council will need to develop a plan to address this issue by devising a new LCTS scheme that will potentially apply from April 2019 based on more streamlined processes for claiming, assessing and awarding support. Development of this new scheme will require comprehensive consultation and engagement with a range of

stakeholders. The development of revised LCTS administrative arrangements will also consider the alternative operational models for providing this service, alongside other support services to vulnerable households. Further details will be reported to this Committee when more information is available, including the level of Government funding to administer LCTS.

9.8 To avoid a future General Fund budget pressure, administration of the 2019/20 Hartlepool LCTS scheme and ongoing housing benefit for pensioners will need to be delivered within a reduced central government funding envelope. However, the Council will probably not receive confirmation of the administration allocations to apply from April 2019 until December 2018.

9.9 The future delivery arrangements for LCTS will need to be developed during 2018/19 and detailed options and recommendations will be submitted to a future Finance and Policy Committee. Details of the approved option will then be subject to consultation with staff and relevant stakeholders. In accordance with established protocols, every effort will be made to maximise staffing reductions by managing vacancies and accepting requests for voluntary redundancies. Furthermore, formal clarification is expected shortly from the DWP regarding the level of funding to be provided to meet the one off costs associated with reconfiguring the Benefits service.

## **10. ASSET MANAGEMENT CONSIDERATIONS**

10.1 There are no asset management considerations.

## **11 APPENDICES**

11.1 Appendix A – Equality and Diversity Impact Assessment.

## **12. RECOMMENDATIONS**

12.1 It is recommended that Members:

- i. Note the future financial and administrative risks associated with the LCTS scheme;
- ii. Approve a 2018/19 LCTS scheme involving a cut of 12% to be referred to full Council in December 2017;

### **13. REASONS FOR RECOMMENDATIONS**

- 13.1 To update Finance and Policy Committee on latest available data on the LCTS scheme costs and the future risks associated with the Government's national welfare reforms.
- 13.2 To enable Members to agree a LCTS scheme for 2018/19 to refer to full Council.

### **14. BACKGROUND PAPERS**

- 14.1 Medium Term Financial Strategy Update and Savings Programme 2018/19 to 2019/20 for Finance and Policy Committee 18<sup>th</sup> September 2017.

### **15. CONTACT OFFICER**

John Morton  
Assistant Director Finance and Customer Services  
01429 523093  
[John.morton@hartlepool.gov.uk](mailto:John.morton@hartlepool.gov.uk)

Department	Division	Section	Owner/Officer
Chief Executives	Finance	Revenues & Benefits	John Morton
Function/Service	Local Council Tax Support Scheme 2018/19, Universal 12% reduction in LCTS Awards (excl. low income pensioners).		
Information Available	HBC data on caseload / awards, financial modelling of local scheme, CLG full EIA, Family Resources Survey data, Census 2011, ONS population statistics, DWP data.		
<b>Relevance</b>  <i>Identify which strands are relevant to the area you are reviewing or changing</i>	<b>Age</b>		
	<p>The Government considered the position of low income pensioners associated with the abolition of Council Tax Benefit and the introduction of LCTS. The Government determined that unlike most other groups, pensioners cannot reasonably be expected to seek paid employment to increase their income. Therefore the Government determined that as a specific vulnerable group, low income pensioners should be protected from any reduction in support as a result of this reform. The Government has not changed its position on this core principle for 2018/19.</p> <p><b>In Hartlepool 5,427 low income pensioners account for 40% of all LCTS claimants and the Council is required by Government to continue to protect this group.</b></p>		
	<b>Disability</b>		
	<p>It is difficult to quantify accurately either the number of disabled people living in Hartlepool or the number of households in receipt of LCTS and where an individual in that household is receiving a disability related benefit.</p> <p><b>Fundamentally, the 2018/19 Hartlepool LCTS scheme continues with the core equity Principle that every working age household should pay something to towards Council Tax and that the level of cut should be equal. The Council endeavours to minimise the impact of LCTS but the LCTS scheme does not provide for protection / detriment for any specific working age group.</b></p>		
	<b>Race / Gender / Gender Re-assignment</b>		
	<p>The Government does not believe 'that this nationally driven policy change will disproportionately affect any particular gender or ethnicity'. The Government has not changed its position on this core principle for 2018/19. However both nationally and locally, there are almost twice as many female as male council tax support claimants, reflecting the number of single female claimants with child dependants.</p> <p>Only about 2.3% of Hartlepool's population are non-white. It is not known how many of this group claim LCTS, as data within the LCTS system is incomplete for this group (claimants often do not complete this section of the application form).</p>		

	<b>The 2018 / 19 Hartlepool LCTS scheme does not provide for protection / detriment for any specific working age group</b>			
	<b>Religion</b>			
	No effect			
	<b>Sexual Orientation</b>			
	No effect			
	<b>Marriage &amp; Civil Partnership</b>			
	No effect			
	<b>Pregnancy &amp; Maternity</b>			
No effect				
<b>Information Gaps</b>	<i>Nil.</i>			
<b>What is the Impact</b>	<ul style="list-style-type: none"><li>• Every working age household will pay some Council Tax</li><li>• Other non dependant adults in the household will be expected to contribute to council tax</li><li>• The scheme will encourage work</li><li>• The 2018/19 LCTS scheme will continue to be based on the key features of the former CTB scheme and will “mirror” national Housing Benefit regulation changes</li><li>• A universal 12% reduction in the value of the award will be made for all working age low income households.</li><li>• Low income pensioner households are protected in line with Central Government Policy.</li><li>• The 2018/19 LCTS scheme will continue to comply with the Armed Forces Covenant.</li><li>• The 2018/19 LCTS scheme will continue to fully disregard child maintenance when assessing LCTS awards. This is consistent with national Housing Benefit regulations.</li></ul>			
<b>Addressing the impact</b>	<b>1. No Major Change</b> - The proposal is robust there is no potential for discrimination across working age claimants. (The council has no choice on the protection of low income pensioners).			
	The maintenance in the level of cuts to LCTS awards for 2018/19 at 12% sustains financial support as households adjust to the impacts of the wider national benefit reforms. The 2018/19 Hartlepool scheme continues to provide no protection/ detriment for any specific working age group and is centred on equality of impact.			
<b>Actions</b>				
<i>The 2018/19 LCTS scheme has been developed with the aim of removing any potential for discrimination.</i>				
<b>Action identified</b>	<b>Responsible Officer</b>	<b>By When</b>	<b>How will this be evaluated?</b>	
<b>Scheme Principles review</b>	<b>Liz Cook Principal Benefits Officer</b>	<b>Oct 18</b>	<b>Peer review by Chief Executive’s Department Diversity Lead officer.</b>	



## **FINANCE AND POLICY COMMITTEE**

22 November 2017



**Report of:** Corporate Management Team

**Subject:** MEDIUM TERM FINANCIAL STRATEGY - REVIEW OF RESERVES AS AT 31<sup>st</sup> March 2017

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### **1. TYPE OF DECISION / APPLICABLE CATEGORY**

1.1 Non Key.

### **2. PURPOSE OF REPORT**

2.1 To enable Members to consider:

- i) the detailed review undertaken by the Corporate Management Team of the existing reserves that are held to manage financial risks or one-off commitments; and
- ii) the Corporate Management Team recommendations in relation to the areas where risks have reduced, enabling reserves to be released to either support the Medium Term Financial Strategy over the period 2018/19 to 2019/20, or to fund other one-off priorities.

### **3. BACKGROUND**

- 3.1 The Medium Term Financial Strategy (MTFS) report reminds Members of the increasingly challenging financial position facing the Council owing to the impact of Government funding cuts continuing up to 2019/20. This will mean that the Council will have faced nine consecutive years of cuts in Government funding.
- 3.2 The current MTFS forecasts are predicated on the Council reducing the impact of continuing Government grants cuts by implementing the following measures:
- annual Council Tax increases are approved of 4.9% (including the 3% Social Care Precept) for 2018/19 and 1.9% for 2019/20, which are in accordance the Government's Council Tax policy;
  - achieving planned housing growth, which will generate additional Council Tax income; and

- implementing a range of corporate budget savings, including additional ICT contract savings and reducing the National Living Wage budget provision to reflect a slower rate of increase to the Government's target level of £9 per hour, or 60% of medium earnings.
- 3.3 The MTFS forecasts are also predicated on using one off reserves of **£10.565m** over the period 2017/18 to 2019/20 to partly mitigate:
- the impact of front loaded Government grant cuts;
  - the impact on the Power Station rateable value reduction; and
  - to address expenditure on Looked after Children's Services exceeding the recurring annual revenue budget to provide time to either reduce demand, or for the Government to provide additional resources to address a national funding shortfall forecast by the Local Government Association (LGA) to reach £2 billion by 2019/20.
- 3.4 The use of these one off resources does not provide a permanent solution to address the impact of the above recurring issues. However, by front loading the use of these one off resources the Council has temporarily mitigated the impact on services and provided a longer lead time to make permanent budget reductions.
- 3.5 The phasing is designed to minimise one off resources used in 2019/20, as only £0.769m is allocated for this year. This strategy avoids a significant financial cliff edge when these reserves have been used up, which would need to be addressed by making budget cuts in 2020/21:
- 3.6 The long term approach to managing reserves has been a key component of the Council's strategy of seeking to protect services as far as possible and to minimise compulsory redundancies over the last few years.
- 3.7 However, reserves are a finite resource and cannot be relied upon in the long term to offset continuing Government grant cuts and fund recurring expenditure.
- 3.8 As detailed in the following sections the level of reserves will reduce significantly over the next few years as these resources are used to support the revenue budget, or to meet known expenditure commitments. The Council will still need to maintain some reserves to manage risks and these resources will become increasingly important as the overall size of the budget reduces, as there will be less financial flexibility to manage unexpected financial events.
- 3.9 It also needs to be recognised that as the overall budget and reserves reduce the financial risks being managed by the Council will not. These risks include increases in demand led services, in particular Looked after Children. Consequently ongoing financial and service risks will need managing with less overall resources and financial flexibility. This will mean that over the next few years managing financial and service risks will become increasingly challenging.

- 3.10 These issues are not unique to Hartlepool and at a national level the LGA's submission to the Government's budget process has highlighted a national funding gap by 2019/20 of £7.1 billion, reflecting the following issues:

Service area	National Funding gap by 2019/20 £bn
Children's Services	2.0
Adult Social Care	1.0
Homelessness and Temporary Accommodation	0.2
Other services funded from Council core spending power	2.4
Apprenticeship Levy	0.2
<b>Funding gap related to future pressures on existing services</b>	<b>5.8</b>
Pre-existing pressure to stabilise the Adult Social Care provider market	1.3
<b>Grand Total</b>	<b>7.1</b>

- 3.11 The LGA is proposing that the above gap could be addressed if the Government allowed local authorities to retain a greater share of the national business rates income than the current 50%. To work for areas with a low business rates base, including Hartlepool, this proposal would require an adjustment to the Top Up Grant as an increase in the local share of business rate would not be sufficient to cover these pressures.
- 3.12 In summary the Council has taken a long term approach to managing risks and reserves. This has enabled the Council to manage the impact of Government grant cuts over a slightly longer period than would have otherwise been possible, thereby protecting services, employment for local people and providing time to implement budget reductions. In addition, the forward looking reserves strategy avoided the need to make emergency in-year cuts, which would have been difficult to implement, to address the impact of the decision in May 2015 by the Valuation Agency Office to reduce the rateable value of the Power Station.
- 3.13 The Council faces an uncertain financial future and needs to make further significant budget reductions over the next two years. Therefore, the level and use of reserves will form an increasingly important role in managing the Council's overall resources and services. Therefore, against this background it is essential that reserves continue to underpin the Council's MTFS and provide resources to manage risks and future financial shocks.
- 3.14 The current MTFS highlights the importance of seeking to balance the overall budget by 2019/20 by achieving recurring budget cuts and minimising the use of reserves to support the budget in 2019/20. This approach reflects the significant financial uncertainties and risk facing Councils in 2020/21, which is when it is expected that fundamental changes to the Local Government funding system will be made. The Council's approach is designed to ensure the Council is in the best position possible to manage these risks and uncertainties.

- 3.15 The Council is also currently managing a number of complex capital projects and this position will continue as other schemes, such as the Elwick bypass, commence. The risks of delivering complex capital schemes on time and on budget is another reasons for maintaining adequate reserves and reviewing risks and reserves annually.

#### 4. APPROACH TO RESERVES REVIEW

- 4.1 In previous years the Review of Reserves report highlighted the findings of an Audit Commission national report published early in 2013 on the level of reserves that Councils hold and the decisions Councils make relating to them. The report made the following statements:

- reserves are an essential part of good financial management. They help Councils cope with unpredictable financial pressures and plan for their future spending commitments. The level, purpose and planned use of reserves are important factors for elected Members and Council Officers to consider in developing medium-term financial plans and setting annual budgets;
- having the right level of reserves is important. Where Councils hold very low reserves, there may be little resilience to financial shocks and sustained financial challenges. Where reserves are high, Councils may hold more than they need;
- there is no set formula for deciding what level of reserves is appropriate, too low or too high – Councils are free to determine the reserves they hold. Chief Finance Officers have a duty to provide Elected Members with the advice they need to make good decisions.

- 4.2 Whilst, the Audit Commission report was published in 2013 the report identified a range of questions which remain relevant and help Members in their decision making on reserves, which includes a 'good-quality, annual review to ensure the purpose and level of reserves align with medium-term financial planning'. The report identified five key areas for Members to consider:-

- i) How much is held in reserves;
- ii) What are reserves held for, including information provided to Members;
- iii) Does the Authority hold any contingency fund other than reserves to protect against unplanned costs;
- iv) The relationship between reserves and Council Tax;
- v) Unplanned movements on reserves.

- 4.3 In relation to items (i) and (ii) the next section of the report and the detailed Appendices provide an explanation of these issues. In relation to items (iii) to (v) these are covered below:

- Contingency funds other than reserves to protect against unplanned costs

The Council does not provide contingency funds within the overall revenue budget to protect against unplanned costs. The Council's approach is to

base the revenue budget on the most accurate assessment available for demand led budgets and to then monitor progress against the budget throughout the year at a corporate level. This approach is designed to enable corrective action to be taken at a corporate level if this is necessary to fund unplanned costs.

This approach is underpinned by the strategic approach adopted by the Council for managing risk through the establishment of risk based reserves and the annual review of these risks and reserves.

- Relation between reserves and Council Tax

The level of Council Tax for 2018/19 and future years will reflect the fundamental shift in the Government's Council Tax policy, which recognises the financial pressures on Authorities with Adult Social Care responsibility. The Government's national Council Tax forecasts assume that all Social Care Authorities will implement Adult Social Care precepts.

There is no direct link between the level of reserves and Council Tax as both sources of funding are being used over the period of the current MTFS to partly mitigate the impact of Government grant cuts. However, these resources do not provide sufficient funding to fully address the impact of Government grant cuts, consequently the Council will need to make further budget cuts in 2018/19 and 2019/20.

The MTFS recognises that reserves are a finite resource and cannot be relied upon to fund services in the long term. Therefore, the use of reserves is front loaded in 2017/18 and 2018/19. This strategy is designed to minimise reliance on the use of reserves in 2019/20 to avoid deferring an unmanageable budget deficit to 2020/21.

- Unplanned movements on reserves

Detailed in-year financial management reports are submitted to Members to monitor progress in the planned use of Departmental reserves and to identify where these reserves may be carried forward to fund rephased expenditure commitments or financial risks.

These reports also provide details of forecast outturns for corporate and departmental budgets. For 2017/18 an overspend is forecast and an initial outturn strategy report was considered at the Finance and Policy Committee on 18<sup>th</sup> September and regular updates will be provided during the year.

## **5. DETAILS OF RESERVES HELD AT 31<sup>st</sup> MARCH 2017**

- 5.1 As reported in previous years the starting point for the reserves review is the Statement of Accounts which details the total reserves held by the Council at the end of the financial year. For this review the relevant Statement of Accounts shows the position at 31<sup>st</sup> March 2017 and at that date the Council held total

reserves of £51.935m. This is £8.924m lower than the balance at 31<sup>st</sup> March 2016 of £60.859m. This is a reduction of nearly 15%.

5.2 This reduction mainly reflects the planned use of reserves in 2016/17 approved as part of the MTFS as follows:

- £4.733m to support the 2016/17 revenue budget and to partly mitigate the impact of the 2016/17 Government grant cut;
- £1.221m to mitigate the impact of the Power Station rateable value reduction.

5.3 In summary reserves held at 31<sup>st</sup> March 2017 consist of six components, as summarised in the table overleaf. The table also includes details of the forecast balance at 31<sup>st</sup> March 2017 and 31<sup>st</sup> March 2021 and shows that reserves will reduce significantly over the next few years as these resources are used to support the MTFS and to fund approved one-off commitments.

**Summary of reserves at 31.03.17 and forecast at 31.03.21**

<b>31.03.16</b>		<b>31.03.17</b>	<b>31.03.21</b>
<b>£'m</b>		<b>£'m</b>	<b>forecast</b>
4.753	<u>Unearmarked General Fund Balance</u> The 31.03.21 forecast assumes this reserve is maintained over the period to manage in-year risks and is based on any unavoidable usage being repaid.	4.526	4.526
5.781	<u>Budget Support and Investment Reserves #</u> The 31.03.21 reflects current planned use to support the MTFS and fund one-off capital investment.	15.227	0
3.916	<u>School Balances</u> Individual schools will determine usage.	2.439	2.439
0	<u>Housing Revenue Account Balance ##</u>	0.538	0.385
6.517	<u>Earmarked Capital Reserves</u> The 31.03.21 forecast reflects use of this reserve to fund approved capital commitments re-phased from 2016/17 to 2017/18 or futures years.	6.295	0
<b>20.967</b>	<b>Sub Total</b>	<b>29.025</b>	<b>7.350</b>
39.892	<u>Earmarked Revenue Reserves</u> Details of planned usage up to 31.03.21 are provided in the appendices to the report. The forecast balance reflects those reserves where it is difficult to determine the phasing of commitments. This figure will reduce as these commitments are incurred over the next 3 years.	22.910	6.457
<b>60.859</b>	<b>Total</b>	<b>51.935</b>	<b>13.807</b>

# The change in this reserve reflects the review of reserves approved in February 2017 by Council as part of the 2017/18 detailed budget proposals. These reserves are earmarked to support the MTFS and one off investment, as detailed in paragraph 5.9.

## The Housing Revenue Account balance is a ring fenced reserve and details were reported as part of the HRA Business Case update report considered by this Committee on 30<sup>th</sup> October 2017.

5.4 A review of the above reserves has been completed and detailed comments are provided in the following paragraphs:-

5.5 Un-earmarked General Fund Reserve - £4.526m

5.6 This is the only reserve held to manage unforeseen events and avoids the need for in-year budget cuts if such events occur. Any temporary usage would need to be repaid to ensure the Council maintains an emergency resource for the next unforeseen event.

5.7 This amount equates to approximately 4% of the net General Fund budget, which is within the previously recommended range of 3% to 5%.

5.8 In view of the continuing financial risks the Council is managing and the reduced ability to manage unforeseen events from the reduced annual budget it is recommended that the level of the uncommitted General Fund reserve is appropriate and should be retained. These risks relate to:

- recurring income risks, including Business Rates income, collection of Council Tax from LCTS households and general income risks if there is an economic downturn;
- recurring demand risks in relation a range of services, including looked after children and adult services; and
- increased financial risks arising from proposed changes to the Local Government funding system.

5.9 Budget Support and Investment Reserves - £15.227m

5.10 This reserve is fully committed and consists of:

- £10.565m of corporate and departmental reserves earmarked to support the MTFS over the period 2017/18 to 2019/20. If these resources were not available significantly greater budget cuts would be required over the period 2017/18 to 2019/20;
- £4.662 Investment Reserve. In addition to this reserve an amount of £0.287m is earmarked within Capital Grant Unapplied, which has to be held separately to comply with accounting regulations. As reported in the MTFS report approved in February 2017 these resources provide a total investment funding of £4.949m and are allocated to fund the following approved priorities:

Priority	Committed	Uncommitted
Building Condition issues £1m	£522k - approved by Finance and Policy Committee 12.06.17	£448k
Borough Hall £0.8m	£0.8m - approved by Finance and Policy Committee 20.10.17	0
Church Street/Church Square £0.287m	£287k - approved by Finance and Policy Committee 27.03.17	0
Regeneration projects £2.862m	£2.017m - approved by Finance and Policy Committee 27.03.17 (£1.617m) and 10.07.17 (£0.4m).  Commitment includes £0.6m which may be repaid if capital receipt secured, or contingency not needed.	£0.845m

#### 5.11 School Balances - £2.439m

5.12 These reserves are held in trust by the Council on behalf of individual schools and use is approved by the relevant schools Governing Body as part of the schools budget process. School reserves are held to either fund one off initiatives and costs, including capital spending, or to support phased reductions in recurring expenditure to address reduced funding levels. The level of reserves held by individual schools is reviewed on an annual basis by the Schools Forum as part of the arrangements for managing the overall Dedicated Schools Grant.

#### 5.13 Earmarked Capital Reserves - £6.295m

5.14 These resources are committed to manage capital expenditure commitments re-phased at the end of the financial year. The reserve consists of:

- Capital Receipts Unapplied and Capital Grants Unapplied – £0.296m

These resources can only be used to fund capital expenditure. At the 31<sup>st</sup> March 2017 there were no Capital Receipts Unapplied. Capital Grants Unapplied totalled £0.296m at 31<sup>st</sup> March 2017. This amount includes £0.287m which has been received and this amount was released as part of the 2016/17 reserve review and earmarked for the MTFS Investment Reserve. To comply with accounting regulations this amount must stay within capital grants unapplied. Recovery action is continuing for the remaining £9,000.

- The Capital Funding Reserve £5.852m

This funding is fully committed to fund approved capital expenditure re-phased from 2016/17 to 2017/18 or future years and reflects the longer



timescale for implementing capital projections. The funding includes contributions schools have made from their budgets to fund capital schemes.

The capital funding strategy adopted means the Capital Funding Reserve is always the last funding used to finance capital expenditure incurred during the year. This funding is only used after fully committing capital grants, capital receipts and prudential borrowing. This strategy is adopted to maximise future financial flexibility in the event (not yet realised) that if actual capital receipts exceed the target that these additional resources are used to replace the Capital Funding Reserve, which could then be released. This would then increase financial flexibility as the Capital Funding Reserve is revenue funding, which can be used to fund either revenue or capital expenditure, whereas uncommitted capital receipts can only be used to fund capital expenditure.

At the end of 2017/18 the capital funding strategy will again use this funding as a last resort, as this approach may provide the opportunity at a future date to release this funding if the capital receipts target is exceeded.

#### 5.15 Earmarked Revenue Reserves - £22.910m

- 5.16 These reserves account for approximately two thirds of the Council's reserves and full details are provided in Appendices A to E and are summarised below:

	<b>Reserve Value 31.03.17 £'m</b>
Appendix A – Corporate Reserves	19.450
Appendix B – Child and Adult Services	0.346
Appendix C – Education Services Reserves	1.206
Appendix D – Regeneration and Neighbourhood Services	1.630
Appendix E – Chief Executive's Reserves	0.278
	22.910

- 5.17 A comprehensive review of all Earmarked Revenue Reserves has been completed and the outcome of this review is detailed within Appendices A to E. For the majority of reserves the appendices provide details of planned phasing over the period 2017/18 to 2019/20. For a small number of reserves the phasing is uncertain and driven by the timing of external events. In these cases no phasing is shown, although the reasons for maintaining these reserves are detailed in the appendices.

#### 5.18 **Summary of reserves review**

- 5.19 As detailed earlier in the report a comprehensive review of reserves was completed last year and in the majority of cases the reserves are fully committed and there have been no changes in circumstances to enable resources to be released. The reserves falling into this category account for 56% (£29.025m) of the Council's total reserves.

- 5.20 The remaining 44% (£22.910m) of the Council's reserves have been reviewed to identify areas where the original financial risk or financial commitment the reserve was established to fund has reduced. This review has identified net resources of £1.084m which can now be released, as detailed in Appendices A to E and summarised below:

	<b>Reserve Value 31.03.17 £'m</b>	<b>Recommended for release £'m</b>
Un-earmarked General Fund Balance	4.526	0
Budget Support and Investment Reserves	15.227	0
School Balances	2.439	0
Housing Revenue Account Balance	0.538	0
Earmarked Capital Reserves	6.295	0
<b>Sub Total</b>	<b>29.025</b>	<b>0</b>
Earmarked Revenue Reserves	22.910	1.109
<b>Total</b>	<b>51.935</b>	<b>1.109</b>
Less Longscar CPO Legal Costs #		(25)
<b>Net Total</b>		<b>1.084</b>

- # As detailed in the MTFS report considered by Finance and Policy Committee on 18<sup>th</sup> September 2017 the final 2018/19 MTFS report to be considered by Council will recommend the £600,000 allocated for the potential purchase and demolition of the Longscar should be transferred to the overall Regeneration Capital budget for the town. This recommendation is contingent on the owners of this property not bringing forward a proposal for this site within the 18 month period they indicated to the CPO inspector. Separate to this issue the actual costs awarded against the Council for the CPO process exceed the available budget provision by £25,000. As the General Fund budget is forecast to overspend in 2017/18 these one off costs need to be a first call on the resources released from the reserves review.

## 5.21 Education Reserves

- 5.22 The reserves which can be released detailed in the above table exclude Education Reserves which have been subject to a separate review to identify funding to create an 'Education Innovation Fund'. The fund can be used to transform education outcomes and address the priorities identified in the emerging Education Improvement Strategy for 2017 to 2019, which is predicated on three main strands:
- supporting schools around growing issues with pupil behaviour and social, emotional and mental health issues (SEMH);
  - tackling the persistent issue of performance of the Town's secondary schools, and
  - developing alternative curricula and accredited provisions to improve engagement and attendance of a growing minority of children for whom the full national and EBacc curriculum is not appropriate.

- 5.23 This work will complement the ongoing work of the Hartlepool's Education Commission.
- 5.24 Funding of £0.220m has already been identified to address these issues and a further £0.150m can be provided from the Education reserves review. These resources provide a total Education Innovation Fund of £0.370m, as summarised below:

	£'000
Funding is already committed from existing School Improvement reserves for these initiatives.	110
£0.060m can be utilised from an existing schools ring fenced grant reserve.	60
The 2017/18 School Improvement Grant of £0.050m will also be used to fund this programme.	50
<b>Sub Total</b>	<b>220</b>
A review of existing reserves has highlighted that the reserve set aside for risks associated with schools converting to Academy status has not been required as our initial assessment of risk was based on a higher proportion of schools who converted to Academy status not buying back our services. Therefore, £0.150m can be released from this reserve.	150
<b>Total Funding for Education Innovation Fund</b>	<b>370</b>

- 5.24 It is recommended that detailed proposals for using the fund are considered by the full range of stakeholders as part of the consultation process in shaping the Education Improvement Strategy 2017-19, and then referred to Children's Services Committee for approval.

## 5.25 **Community Grant Pool**

- 5.26 The amount which can be released also excludes a residual balance of £24,000 on the Community Grant Pool reserve. As reported last year this amount could either be released, or could be allocated to supplement the Child and Family Poverty Reserve. It was intended that this decision would be made as part of the 2017/18 MTFS proposals. Owing to an administrative oversight this issue was not included in the February 2017 MTFS proposals. Therefore, Members are requested to determine which of these options should be recommended as part of the 2018/19 MTFS proposals.

## 6.0 **STRATEGY FOR USING RESOURCES RELEASED FROM THE RESERVES REVIEW**

- 6.1 The one off resources identified from the reserves review had previously not been anticipated and were therefore not reflected in the current MTFS. In view of the continuing financial challenges and risks facing the Council the one off resources released from the reserves review could be allocated to support a number of potential initiatives and there are advantages and disadvantages to each of these options. However, as these proposals do not add to the ongoing

budget deficit any of these proposals could be progressed and cover the following issues:-

- **Support for the MTFS 2017/18 to 2019/20**

One-off resources of £10.565m are allocated to support the MTFS over the three years commencing 2017/18. The use of these one-off resources does not provide a permanent solution to address ongoing Government grant cuts. However, the strategy provides a longer lead time to phase the necessary budget reductions.

As detailed in the 2017/18 Quarter 1 Financial Management Report it may be necessary to allocate additional one-off resources to offset an in-year overspend, particularly if Looked after Children costs continue to increase. It is hoped that this will not be necessary and an update will be provided later in the year when the position is more certain. This will enable Members to make a financial decision as part of the 2018/19 budget setting process.

Whilst, detailed plans are being developed to achieve budget reductions over the next two years the proposals for 2019/20 will need careful management and if the required savings are delayed, or not achieved, alternative budget cuts will need to be implemented. As there will be a lead time for implementing alternative cuts it may be appropriate to allocate additional one off resources to provide a longer lead time if this is necessary.

- **Support for 2020/21 MTFS**

As indicated early in this report there are significant financial risks facing the Council in 2020/21 from proposed national changes to the local government funding system. Earmarking the resources released from the reserves review would provide one off funding to mitigate these risks. This would also provide a slightly longer lead time to implement additional permanent budget reductions if this is necessary.

- **Support for one-off capital initiatives**

Resources to fund capital initiatives have also been limited owing to the impact of austerity. As part of the previous reserves review one off funding of £4.949m was earmarked as an Investment Reserve to support capital projects and investments which the Council will wish to support to deliver the priorities detailed in the Council Plan.

The resources identified from the current reserves review could be allocated to supplement this funding. If Members approve this option it is recommended that additional commitments are not approved until such time as existing schemes have progressed and an updated assessment of the financial outturns for these complex schemes has been completed.

- **Support for Family Poverty Initiatives**

The Council has previously earmarked £0.5m for these initiatives and this amount has been spent, or is committed to support projects in relation to Holiday Hunger (2017/18), the Financial Support and Advice service (2017/18 and 2018/19) and the Children's 5-19 Activities service (six months from April 2018).

It is hoped that this amount may be increased by £136,000 if grant bids for the Centre of Excellence for Creative Arts are successful, as one off funding allocated pending grant decisions will be able to be released.

Members may wish to allocate additional one off resources to continue these initiatives beyond 2017/18.

## 7. CONCLUSION

- 7.1 The Government has confirmed that councils will face further annual grant cuts in 2018/19 and 2019/20. As a result the Council faces a budget deficit of £11.072m over this period.
- 7.2 In February 2017 Members approved a number of measures to significantly reduce this deficit and further proposals to reduce the deficit were reported to this Committee in September. In summary the budget deficit of £11.072m will be addressed through a combination of measures as detailed in the table below:

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
<b>Gross Deficit</b>	<b>7.314</b>	<b>3.758</b>	<b>11.072</b>
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
<b>Sub Total – Deficit after Council Tax increases and forecast housing growth</b>	<b>4.955</b>	<b>2.540</b>	<b>7.495</b>
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
<b>Deficit Reported February 2017</b>	<b>0.822</b>	<b>1.498</b>	<b>2.320</b>
Less Corporate savings/updated planning assumptions – reported 18 <sup>th</sup> September 2017	(544)	(135)	(679)
Less Additional Departmental savings - reported 18 <sup>th</sup> September 2017	(278)	0	(278)
<b>Savings still to be identified</b>	<b>0</b>	<b>1,363</b>	<b>1,363</b>

- 7.3 The MTFS report highlights the financial pressures facing the Council in relation to Children's Service. A recent Local Government Association report indicated that 75% of Councils over spent on Children's Services in 2016/17 and by 2020 a national funding gap of £2 billion is forecast. The Council will be using one off reserves in 2017/18 and 2018/19 to fund these additional costs. If additional Government funding is not provided in 2019/20 the budget deficit could increase by £2.5m i.e. a total deficit of £3.8m.
- 7.4 At this stage the forecast deficit figures exclude the impact of the 1% pay cap being exceed. If actual pay awards exceed 1% and the Government do not provide additional funding the budget deficit will increase. Each additional 1% pay increase above the cap adds £400,000 to the budget deficit.
- 7.5 Previous reports have highlighted the significant financial benefits of adopting a multi-year approach to managing the Council's overall resources, including the use of reserves. This approach has enabled the Council to deliver the following key objectives:
- limit Local Council Tax Support Scheme cuts to 8.5% in 2013/14, 12% in 2014/15 to 2017/18 and 12% forecast for 2018/19 and 2019/20.
- The other Tees Valley Council's all implemented 20% reductions for 2013/14 to 2017/18. Redcar and Cleveland Council changed from a 20% to 17.5% in 2017/18. Over the summer Middlesbrough Council consulted on potentially changing from a 20% scheme to a 17.5% or a 15% scheme for 2018/19;
- partly mitigate the impact of Government Grant cuts on the General Fund budget by using reserves to support services and provide a longer lead time to make budget cuts. This approach is helping phase the budget reductions required over the period 2016/17 to 2019/20 and avoided significantly higher cuts in previous years;
  - funded one-off redundancy and early retirement costs, therefore avoiding even higher budget cuts to fund these unavoidable costs; and
  - managed the impact of the decision by the Valuation Office Agency to reduce the Power Station Rateable Value by 48%. In 2015/16 this approach avoided the need to make in-year budget cuts.
- 7.6 The continued adoption of a multi-year approach to managing the Council's resources, including reserves, is becoming even more important as the overall budget reduces.
- 7.7 The review completed of reserves last year (2016) released significant one-off resources which were allocated to establish the Investment Reserve to support the delivery of the capital priorities included in the Council Plan. The previous review also highlighted how the Council's reserves underpin the

approved MTFS covering the period 2017/18 to 2019/20, address financial risks and one-off commitments facing the Council.

- 7.8 The 2016 review of reserves therefore significantly reduced the scope to release further one off resources from this years' (2017) annual review of reserves. However, as detailed in section 5 one off resources of £1.084m can be released.
- 7.9 Section 6 details potential options for using these one off resources. As the Council faces continuing financial risk and uncertainties in 2018/19, including continuing Children Services pressures and uncertainty regarding pay awards, it is recommended that the one off resources released from the reserves review are not committed until these issues become clearer.
- 7.10 This recommendation will ensure the Council has one off resources available in 2018/19 to meet these additional costs if they exceed the available base budget, or in the case of Children Services the actual costs exceed the 2018/19 base budget and planned use of reserves to fund current pressures. This approach will avoid the need to make in-year budget cuts during 2018/19, which would be extremely difficult to achieve.
- 7.11 If the one off resources are not needed to address these commitments Members will be able to determine their priorities for using these resources to support one off initiatives.
- 7.12 Whilst, this strategy will delay a decision on the use of these one off resources until 2018 it is anticipated this will coincide with the completion of work to develop detailed business cases for future capital investment, including the Waterfront.

## **8. RISK IMPLICATIONS**

- 8.1 These are covered in detail in the appendices to this report.

## **9. FINANCIAL CONSIDERATION**

- 9.1 These are covered in detail in the report.

## **10. LEGAL CONSIDERATION**

- 10.1 None.

## **11. CHILD AND FAMILY POVERTY CONSIDERATIONS**

- 11.1 No direct impact arising from recommendations within this report, although some reserves are specifically allocated to address these issues.

## **12. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 12.1 None.

### **13. STAFF CONSIDERATION**

13.1 None.

### **14. ASSET MANAGEMENT CONSIDERATION**

14.1 None.

### **15. RECOMMENDATIONS**

15.1 It is recommended that Members:-

- i) Note that a comprehensive review of existing reserves and risks has been completed and this has identified that one-off resources of £1.084m can be released;
- ii) Note the potential issues which may need to be funded using the available one-off resources as detailed in section 6;
- iii) Note that at this stage there is insufficient information available on a range of financial risks facing the Council in 2018/19, including actual pay awards and continuing Looked after Children pressures, which may need to be a first call on the one off resources referred to in recommendation (i) to avoid having to make in-year budget cuts in 2018/19. Therefore, it is recommended that a strategy for using these resources is delayed and considered as part of the 2017/18 Outturn Strategy, when more information is available;
- iv) Approve the allocation of £150,000 released from the review of Education Reserves to partly fund the creation of an Education Innovation Fund reserve and seek Council approval to delegate authority to Children's Committee to approve a strategy for using these resources.
- v) Determine whether the £24,000 residual balance of the Community Grant Pool reserve should be allocated to either:
  - supplement the Capital Investment reserve; or
  - supplement the Child and Family Poverty Reserve.

### **16. REASON FOR RECOMMENDATIONS**

16.1 To enable a strategy for using the one-off resources identified from the reserves review to be developed as part of the MTFS.

### **17. BACKGROUND PAPERS**

17.1 Medium Term Financial Strategy update and Savings Programme 2018/19 and 2019/20 for Finance and Policy Committee report to Finance and Policy Committee 18<sup>th</sup> September 2017.



- 17.2 Medium Term Financial Strategy Review of Reserves as at 31st March 2016 report to Finance and Policy Committee 31st October 2016.

**18. CONTACT OFFICER**

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Reserve	Balance as at 31st March 2017	Planned Use of Reserve						Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2017/18 to 2020/21	Reason for Release of Reserve
		2017/18	2018/19	2019/20	2020/21	Total Planned Use of Reserves	Estimated Balance at 31/03/21				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
Strategic One Off Costs - Council Capital Fund	290	(100)	0	0	0	(100)	190	This reserve relates to the 2013/14 Council Capital Fund which was funded from one-off resources, rather than Prudential Borrowing. This reserve is earmarked to fund commitments arising over more than one year which have not yet been implemented.	0	290	
Strategic One Off Costs - Redundancy and Early Retirement Costs Reserve	4,413	(900)	(800)	(1,900)	(813)	(4,413)	0	This reserve has been created to fund the estimated costs of redundancy/early retirement over the four years up to 2020/21 and reflects experience of these costs over the last 5 financial years. Phasing is indicative based on the forecast budget deficits and will be reviewed annually.	0	4,413	
Strategic Ring Fenced Grants	4,959	(2,305)	(1,624)	(549)	(481)	(4,959)	0	This reserve has been created from grants allocated to the Council. These resources can only be spent in accordance with the specific grant conditions and will be spent over more than one financial year.	0	4,959	
Insurance Fund	4,428	0	0	0	0	0	4,428	The Insurance Fund has been established to provide for all payments that fall within the policy excess claims. Most policies provided by the Council are subject to an excess. Phasing is not provided as the timing and settlement of individual claims is uncertain. The MTFS for 2017/18 included a recurring insurance cost saving of £0.260m and this was predicated on managing continuing insurance risks by maintaining the existing fund.	0	4,428	
Strategic Risk Reserve	1,028	0	0	0	0	0	1,028	The risk reserve was set up to cover one-off equal pay costs and reflected the risk assessment at the time. The reserve was also earmarked to cover risks in relation to the impact of the Government's National Living Wage and the tri-annual valuation of the pension fund, which would set the employer's pension contributions for 2017/18 to 2019/20.	1,028	0	The equal pay risks have been reassessed to reflect an assessment of national issues which may have impacted on the council and these risks are assessed as extremely low as the Council has already taken significant steps to address equal pay issues. The risk in relation to the National Living Wage has been re-assessed and it is anticipated that sufficient recurring funding has been included in the base budget for 2018/19 and 2019/20. The risk in relation to the pension fund valuation has been addressed by reflecting a higher employers pension contribution rate in the 2017/18 base budget. In view of the updated risk assessment this reserve can be released.
Treasury Management Risk Reserve	795	(50)	(18)	(12)	96	16	811	The current MTFS includes a £2m recurring MRP saving, and this reserve ensures that this saving is sustainable.  The reserve will be used beyond 2020/21 to facilitate the £2m recurring saving reported to F&P on 20/6/16. Small annual contributions will be made from 2020/21 to this reserve from the existing budget (net of the £2m MRP saving) up until 2026/27, when the reserve will peak at approximately £2.2m. The reserve will then begin to be used in 2027/28 when £1m will be withdrawn. This will enable the £2m benefit to the General Fund budget to be maintained in 2027/28 consisting of net recurring MRP saving of £1m and £1m draw down from the reserve. Further smaller annual draw downs of the reserve will be made in 2028/29 and future years to sustain an annual benefit of at £1m (i.e. combined value of MRP saving and reserve draw down) until 2047/48.	0	795	
Capital Risk Strategy	901	0	0	0	0	0	901	This reserve is earmarked to manage potential phasing risks in relation to the Jackson's Landing Development, to provide a longer lead time if necessary after the repayment of the interest free loan.	0	901	
Income Risk Reserve	400	(200)	(200)	0	0	(400)	0	This reserve was created to fund income shortfalls in 2017/18 and 2018/19 in relation to the Shopping Centre and Land Charges.	0	400	
Regeneration Projects	324	(207)	(117)	0	0	(324)	0	This reserve was created from one-off funding to support Regeneration Priorities. Phasing reflects the projects approved.	0	324	
Funding for Modern Apprentices	78	(40)	(38)	0	0	(78)	0	This reserve is earmarked to provide funding for Modern Apprentices.	0	78	
Vodafone	19	0	(19)	0	0	(19)	0	This reserve was created from previous savings to pump prime further initiatives which will provide additional ongoing savings in relation to telephony costs.	0	19	
NDC Fund	8	(8)	0	0	0	(8)	0	Reserve established from NDC under spend and will be transferred to reduce the Morrison Hall loan.	0	8	
Protection Costs Reserve	67	(67)	0	0	0	(67)	0	This reserve was initially created to fund potential protection costs from the implementation of changes to Terms and Conditions. This reserve was reallocated to partially fund the Hartlepool Living Wage in 2017/18.	0	67	
Child and Family Poverty Reserve	345	(152)	(174)	(19)	0	(345)	0	This reserve was created to support Child and Family Poverty initiatives.	0	345	
Proceeds of Crime Reserve	30	0	0	0	0	0	30	This has been earmarked to fund future prosecution costs.	0	30	

Reserve	Balance as at 31st March 2017	2017/18	2018/19	2019/20	2020/21	Total Planned Use of Reserves	Estimated Balance at 31/03/21	Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2017/18 to 2020/21	Reason for Release of Reserve
Centre for Excellence and Creative Arts	136	(136)	0	0	0	(136)	0	This reserve has been earmarked to potentially fund set up costs for the Centre for Excellence and Arts, in the event that external grant funding cannot be secured, as approved by joint Finance & Policy Committee and Children Services Committee on the 12th June 2017. In the event that external grant funding can be secured this funding will be reallocated to supplement the Child and Family Poverty Reserve.	0	136	
Community Grants Pool	24	0	0	0	0	0	24	Reserve earmarked to fund the one-off approved cost associated with the Community Pool in 15/16.	0	24	Section 5 of the main report outlines the reasons this reserve can be released.
Local Council Tax Support Scheme Reserve	300	0	0	0	0	0	300	This reserve was created to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant. The balance of £0.3m is recommended to manage in year risk over the next three years from changes in caseload and therefore avoid a General Fund budget overspend. As potential caseload changes are uncertain no phasing is shown.	0	300	
Museum Acquisitions Fund	87	(52)	0	0	0	(52)	35	The Museums Acquisition Reserve was set up to put monies aside for the acquisition of items for the Museum. This reserve has also been partially earmarked to provide funding to the Heugh Gun Battery and support the Great Place Greater Tees programme in 2017/18.	0	87	
Civic Lottery	418	0	0	0	0	0	418	The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is an earmarked reserve and the investment income generated is used for grants and donations to local organisations.	0	418	
Emergency Planning	400	(280)	0	0	0	(280)	120	Reserve held on behalf of 4 authorities for Emergency Planning and only a proportion contributed by Hartlepool. A revised funding model for Emergency Planning has recently been agreed and this enabled £0.280m of the current reserve to be returned to the 4 authorities. The Council's share of this amount is reflected in the 2017/18 overall outturn. The remaining reserve is held to enable Emergency Planning to manage the budget over more than one financial year and avoid in-year additional financial demands on the 4 authorities. Phasing is not provided as the use of the reserve will be approved by the Emergency Planning Committee.	0	400	

Total Departmental Reserves	19,450	(4,497)	(2,990)	(2,480)	(1,198)	(11,165)	8,285
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1,028	18,422
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**CHILD AND ADULT SERVICES RESERVES**

**6.1 Appendix B**

Reserve	Balance as at 31st March 2017	Planned Use of Reserve - £000						Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2017/18 to 2020/21	Reason for Release of Reserve
		2017/18	2018/19	2019/20	2020/21	Total Planned Use of Reserves	Estimated Balance at 31/03/21				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
Youth Justice	115	0	(40)	(40)	(35)	(115)	0	The YJ budget has experienced significant grant cuts over the last few years with further cuts expected. This reserve is ring-fenced for use by the Youth Justice Management Board and will be used as a contingency against further grant reductions as well as to fund one-off service initiatives following approval from the Board. The phasing of spend is an initial estimate.	0	115	
Children & Families - Local Safeguarding Board (Partnership Funding)	11	0	(5)	(6)	0	(11)	0	This is Partnership Funding with other bodies so not all HBC funding; relates to underspends carried forward to support the work of the Board and any serious case reviews over the next few years. The phasing of spend is an initial estimate.	0	11	
Better Care Fund Reserve	220	0	(110)	(110)	0	(220)	0	This reserve was created corporately and is held as a contingency against Better Care Fund grant funding to manage demand within adult services, particularly linked to older people, as there are significant risks associated with delivering the BCF plan arising from the context of demographic pressures. In addition, the iBCF grant conditions include the possibility that the government could reallocate the iBCF grant within local government. This funding also provides a contingency against this possibility. The phasing of spend is an initial estimate.	0	220	
<b>TOTAL CHILD &amp; ADULT (EXCLUDES EDUCATION)</b>	<b>346</b>	<b>0</b>	<b>(155)</b>	<b>(156)</b>	<b>(35)</b>	<b>(346)</b>	<b>0</b>		<b>0</b>	<b>346</b>	

EDUCATION SERVICES RESERVES

Reserve	Balance as at 31st March 2017	Planned Use of Reserve - £000						Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2017/18 to 2020/21	Reason for Release of Reserve
		2017/18	2018/19	2019/20	2020/21	Total Planned Use of Reserves	Estimated Balance at 31/03/21				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
School Improvement	220	(160)	(60)	0	0	(220)	0	Reserve created to enhance and develop school improvement within Hartlepool. The Education Improvement Strategy was approved at Children Services Committee 8th July 14.	0	220	
Academy Risk Reserve	67	0	(20)	(20)	(27)	(67)	0	Reserve created to ensure sustainability of services in future years as schools convert to Academy status. Retained funding to manage the on going delivery of Education Services to Schools. The timing of the use of this reserve is uncertain and the phasing is based on the initial assessment of need.	0	67	
Education Improvement Board Reserve	150	(15)	(60)	(75)		(150)	0	Full details are provided in section 5.21 of the report.	0	150	
Education Support Reserve	430	(367)	(63)	0	0	(430)	0	This reserve was created from pooled resources from the local authorities of Hartlepool, Middlesbrough, Stockton and Redcar & Cleveland, to enable a collaborated approach to tackle the root cause of underperformance and deliver a first class education and skills system.	0	430	
Education Commission Reserve	264	(220)	(44)	0	0	(264)	0	This reserve was created to identify and address key priorities to support sustainable educational improvement across the town.	0	264	
Education Reserve	75	(45)	(30)	0	0	(75)	0	Reserve created to fund building improvements to the Centre Excellence Teaching & Learning and departmental IT development and training.	0	75	
TOTAL CHILD EDUCATION SERVICES	1,206	(807)	(277)	(95)	(27)	(1,206)	0		0	1,206	

Reserve	Balance as at 31st March 2017	Planned Use of Reserve - £000						Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2017/18 to 2020/21	Reason for Release of Reserve
		2017/18	2018/19	2019/20	2020/21	Total Planned Use of Reserves	Estimated Balance at 31/03/21				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
Selective Licensing/Housing	167	(41)	(41)	(41)	(44)	(167)	0	Reflects income generated from selective licensing fees which is required to fund staffing costs over the life of the project.	0	167	
Library Reserve - RFID Scheme - Pharos replacement	30	(30)	0	0	0	(30)	0	Reserve created to fund the cost of system upgrades that were postponed to allow work on the Community Hub review to be finalised. Funding allocated in 2016/17 to replace the IT systems was carried forward to fund this cost in 2017/18.	0	30	
Engineering Consultancy Reserve	100	0	0	(100)	0	(100)	0	Reserve created to manage Trading Activities over more than one year. This is earmarked to manage potential income shortfalls to provide funding for staff costs and allow time to react to changes in this market. The reserve also covers potential bad debts in this area. Phasing for the use of the reserve is an initial assessment and reflects the limited risk in 17/18 and 18/19 owing to the level of approved schemes to date.	0	100	
Fleet Reserve	100	(50)	(50)	0		(100)	0	Reserve needed to fund repairs and maintenance costs over the whole life of the fleet so that annual charges to clients can remain static over the lifetime of the vehicle. Also earmarked to fund one-off investment in the service e.g. wash facility which will reduce running costs.	0	100	
Winter Maintenance	50	(50)	0	0	0	(50)	0	Funding to cover additional costs incurred during a bad Winter. Ongoing revenue budget is sufficient to cover normal weather conditions and this reserve provides a contingency for additional works which may be required. Phasing for the use of the reserve is an initial assessment and will vary depending upon the weather experienced over the winter periods. In the event that this is not required in 17/18 it will be rolled forward to provide contingency funding for future years.	0	50	
Flood Prevention Reserve	40	(40)	0	0	0	(40)	0	Committed to fund the preparation of a flood prevention strategy in 2017/18 as the funding was received late in 2016/17.	0	40	
Passenger Transport Reserve	45	0	(45)	0	0	(45)	0	Reserve created to manage the financial risks associated with the trading account over years and pressures on the Home to School Transport budget. This is a demand led service and a significant increase in SEN pupils requiring transport outside of the town would result in an adverse variance in year and this funding has been earmarked to manage this risk. The profile is uncertain and a more accurate projection is made in September at the beginning of each academic year.	0	45	
Bikeability	15	(15)	0	0	0	(15)	0	Contribution received and earmarked to fund LSTF funded projects which are underway in 2017/18.	0	15	
Archaeology Projects (incl Monograph Series)	13	(3)	(3)	(3)	(4)	(13)	0	Reserve to be used for specific archaeology projects over more than one year and ensure the completion of projects which are not covered by the annual revenue budget.	0	13	
Speed Cameras	16	(16)	0	0		(16)	0	Relates to the funding ring-fenced for the Tees Valley Camera Partnership and future use is determined by the Partnership Board. Phasing is an initial assessment and will be reviewed on an annual basis.	0	16	
Royal Navy Museum Reserve	461	(176)	(126)	(76)	(83)	(461)	0	Reserve is allocated to support the development of the National Museum of the Royal Navy's northern hub in Hartlepool over the period 2016/17 to 2020/21.	0	461	
Community Centre Reserve	30	0	0	0	0	0	30	Reserve created to fund the 2015-16 & 2016-17 running costs associated with Community Centres.	30	0	Reserve was not required in 2015/16 and 2016/17 as costs were offset by budget underspend and reserve is no longer needed.
Environmental Enhancement Projects	149	(149)	0	0	0	(149)	0	Funding set aside from the 2014/15 Outturn to fund Environmental Enhancements and additional Enforcement Officers. This funding is fully committed in 2017/18.	0	149	
Cremator Maintenance Fund	60	0	0	(40)	(20)	(60)	0	Funding set aside from underspends on maintenance costs in previous years which is earmarked to fund additional planned maintenance costs in future years.	0	60	
Environmental Apprenticeships Scheme	60	(60)	0	0	0	(60)	0	Reserve created in 2016/17 to fund this initiative in 2017/18.	0	60	
Works in Default Empty Properties	15	(5)	(5)	(5)	0	(15)	0	This reserve was created to fund works in Default on Empty Properties.	0	15	
Concessionary Fare	38	0	(18)	0	0	(18)	20	This reserve covers the tri-annual cost of replacing concessionary fares passes.	0	38	
Local Plan Reserve	186	(186)	0	0	0	(186)	0	This reserve will cover estimated one off costs to be incurred in 2017/18.	0	186	
Members Ward Issues	55	(55)	0	0	0	(55)	0	Represents the balance of funding remaining in 2016/17 for Ward Member Funds. This balance will be carried forward into 2017/18 to fund commitments in the new year.	0	55	

TOTAL REGENERATION & NEIGHBO	1,630	(876)	(288)	(265)	(151)	(1,580)	50
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30	1,600
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CHIEF EXECUTIVE DEPARTMENT RESERVES

6.1 Appendix E

Reserve	Balance as at 31st March 2017	Planned Use of Reserve - £000						Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2017/18 to 2020/21	Reason for Release of Reserve
		2017/18	2018/19	2019/20	2020/21	Total Planned Use of Reserves	Estimated Balance at 31/03/21				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
PSN Compliance & Contingency	32	(32)	0	0	0	(32)	0	This reserve was created to fund one off costs in relation to Public Sector Network (PSN) regulations set by Central Government. In order to remain PSN compliant the Council needs to upgrade its Microsoft office package which will also involve upgrading various business applications. In addition Central Government are mandating the adoption of the Secure Government email which will involve implementing additional email security systems.	0	32	
ICT System Development	74	0	(33)	0	0	(33)	41	Created to fund development/enhancements of current ICT and Website/system upgrades. This reserve to be spent in 2018/19 and will be utilised to fund transition costs in relation to technology and mobile working and support the development/delivery of the Digital First strategy.	41	33	There has been a review of the implementation of Firmstep system and the remaining balance can be offered up.
Corporate Strategy - Performance Management	3	(3)	0	0	0	(3)	0	To support the costs of the performance management system.	0	3	
Corporate Strategy - Public Relations	10	(10)	0	0	0	(10)	0	Allocated to fund new Council signage and branding in 2017/18.	0	10	
Corporate Strategy - MPS Sinking Fund	13	0	(5)	(4)	(4)	(13)	0	MPS -created to fund future replacement of printer hardware. Usage will depend on when equipment needs replacing and is an initial assessment.	0	13	
Firmstep	25	(25)	0	0	0	(25)	0	Reserve created to assist with the implementation of the Council's new digital solution - Firmstep. It is anticipated that this reserve will be utilised during 2017/18.		25	
Reserve for Civic Responsibilities	2	(2)	0	0	0	(2)	0	This reserve is committed in year for Civic items.	0	2	
Registrars	15	(5)	(5)	(5)	0	(15)	0	To be used for Registrars software maintenance costs over 3 years.	0	15	
Registrars Marriage Room	6	0	(2)	(2)	(2)	(6)	0	To be used for the Marriage Room maintenance and phasing is an initial assessment.	0	6	
People Framework Development	18	(18)	0	0	0	(18)	0	There is no budget set aside for any costs in relation to the implementation of the previously agreed Workforce Strategy. In order to not have to draw on departmental resources for any costs this will be utilised to fund any identified and agreed training provision to support the development of the council. This will be used to fund the new Organisational Excellence Forum, Management and Leadership Development Programme.	0	18	
Health and Safety Officer	25	0	(9)	(8)	(8)	(25)	0	To support the Health and Safety Budget and fund new initiatives where no departmental resources are earmarked. Phasing will depend on when initiatives are implemented and is an initial assessment.	0	25	
Loss of Income HR	25	0	(25)	0	0	(25)	0	Reserve created to ensure the sustainability of services to schools in future years as schools convert to academy.	0	25	
IT Investment Shared Services	30	(20)	0	0	0	(20)	10	Shared Services Reserve for Project Development Work on E-Forms, Integra and Resourcelink.	10	20	The costs of these initiatives is less than initially anticipated. Therefore, the uncommitted reserve can be released.
TOTAL Chief Executive	278	(115)	(79)	(19)	(14)	(227)	51		51	227	

# FINANCE AND POLICY COMMITTEE

22 November 2017



**Report of:** Corporate Management Team

**Subject:** STRATEGIC FINANCIAL MANAGEMENT REPORT -  
AS AT 30th September 2017

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Non-Key Decision.

## 2. PURPOSE OF REPORT

2.1 The purposes of the report are to inform Members of:

- i) 2017/18 Forecast General Fund Outturn;
- ii) Corporate Income Collection Performance; and
- iii) 2017/18 Capital Programme Monitoring.

## 3. BACKGROUND AND FINANCIAL OUTLOOK

- 3.1 As detailed in the Medium Term Financial Strategy (MTFS) report, the Government will implement further cuts in funding for Councils up to 2019/20. Over the years covered by the MTFS (2017/18 to 2019/20) this means a further grant cut of £9.8m. The Council set a balanced budget for 2017/18, which includes the use of one off reserves. After reflecting the impact of inflation and legislative changes the Council faces a net deficit for the next two years of £7.495m, which is predicated on annual Council Tax increases of 3.9% (inclusive of 2% Social Care Precept). There is a separate MTFS report on the agenda which details proposals for managing the 2018/19 and 2019/20 budget deficits.
- 3.2 In view of the ongoing financial challenges the Corporate Management Team will continue to adopt robust budget management arrangements during 2017/18 and as detailed in section 5 it is becoming increasingly difficult to manage the annual budget. This position will need to be managed carefully over the remainder of the financial year, particularly over the winter period where some services face their highest demand and therefore cost of providing services.



#### 4. REPORTING ARRANGEMENTS 2017/18

- 4.1 The availability and reporting of accurate and up to date financial information is increasingly important as future budget cuts are implemented and one-off resources are used up.
- 4.2 This Committee will continue to receive regular reports which will provide a comprehensive analysis of departmental and corporate forecast outturns, including an explanation of the significant budget variances. This will enable the Committee to approve a strategy for addressing the financial issues and challenges facing the Council.
- 4.3 To enable a wider number of Members to understand the financial position of the Council and their service specific areas each Policy Committee will receive a separate report providing:
- a brief summary of the overall financial position of the Council as reported to the Finance and Policy Committee;
  - the specific budget areas for their Committee; and
  - the total departmental budget where this is split across more than one Committee. This information will ensure Members can see the whole position for the departmental budget.

#### 5. GENERAL FUND BUDGET 2017/18 FORECAST OUTTURN

- 5.1 An assessment of the forecast 2017/18 outturn has been completed and an overspend of £0.250m is anticipated. Further details are provided in Appendix A, which also includes details of the actual 2016/17 outturn. The 2017/18 outturn has been prepared to reflect expenditure incurred to date and forecast to be incurred in the rest of the financial year. As Members will be aware from previous years significant elements of the Council's budget are demand led and affected by expenditure over the winter months, including care costs in relation to older people and winter maintenance. The outturn forecasts will be closely monitored and regular updates will be reported to this Committee. The forecasts need to be considered in the context of the complexity of managing a gross General Fund budget of £260m and a net budget of £73m.

##### Forecast overspend / (under spend) 2017/18

2016/17 Actual Outturn £'000		2017/18 Latest Forecast - Overspend/ (Under spend) £'000
1,502	Departmental budgets outturn	2,465
	Departmental reserve usage	(1,645)
(1,240)	Corporate budgets outturn	(570)
<b>262</b>	<b>Net Forecast overspend</b>	<b>250</b>

- 5.2 The majority of the forecast overspend relates to continuing costs in relation to Looked after Children (LAC), including the cost of care proceedings. As reported in the January 2017 MTFS these pressures arose in 2016/17 and it was recognised that these pressures would continue into 2017/18 and 2018/19.
- 5.3 These issues are not unique to Hartlepool and a report from the Local Government Association (LGA), published on 9th August 2017, highlighted that in 2016/17 75% of councils over spent on children's services. The LGA report also indicated that by 2020 they are forecasting a national funding gap for children's services of £2 billion.
- 5.4 To address the financial impact of these pressures the MTFS is predicated on using the one-off LAC Reserve with the aim of providing a longer lead time to hopefully manage demand to reduce costs back down to the level of the recurring budget. The outturn forecast reflects the planned use of £1.4m of the LAC Reserve in 2017/18. £1.6m remains in the LAC reserve and will be used in 2018/19 to contribute towards these pressures.
- 5.5 The January 2017 MFTS report also indicated that if demand cannot be reduced the Council will face a permanent budget pressure and this will increase the overall budget deficit. To avoid this pressure impacting on the 2018/19 budget it will be necessary to make additional contributions to the LAC Reserve and plans are being developed to achieve this.
- 5.6 This proposal will not provide a permanent solution, although it should provide a longer lead time to potentially reduce demand and / or for the Government to recognise that this is a national issue which they either need to address by providing additional new funding, or by reallocating existing Local Government funding via the Fair Funding Review. Clearly, if neither of these options are implemented the Council will face an increased budget deficit and will have to make permanent cuts in other areas to meet ongoing commitments in relation to Looked after Children costs.
- 5.7 Detailed financial information on the projected outturn for individual Departments by Committee is provided in Appendices B to E.

## **5.8 Strategy for Managing the 2017/18 Forecast Overspend**

- 5.9 In 2016/17 the Council managed a significant overspend on departmental budgets from an under spend on corporate budgets. The corporate budget under spend is not available as these savings (predominantly a £2m recurring Minimum Revenue Provision saving) were built into the 2017/18 base budget as recurring savings. Therefore, there is significantly less financial flexibility within the base budget to manage over spends in departmental budgets.
- 5.10 In order to address the forecast 2017/18 over spend of £0.250m the following options are being explored and further details will be reported to a future meeting:
- identify 'discretionary spending' which can be stopped, or delayed;

- reserves review has been completed. One off funding may need to be allocated to offset the overspend;
- capitalise existing revenue spending.

#### 5.11 House Sales income

- 5.12 The Council benefits from the receipt of income from Housing Hartlepool from the sale of former Council houses. This income will be dependent on individual house sales and is therefore difficult to forecast as the amount varies from month to month. The value of receipts for the first six months was £96,000, which is earmarked for the Housing Revenue Account (HRA). Proposals for using this funding were included in the HRA Business Plan report to this Committee on 30<sup>th</sup> October 2017.

### 6. Housing Revenue Account

- 6.1 The Housing Revenue Account (HRA) is a ring fenced account relating to the Council's rented housing. It was reopened on the 1<sup>st</sup> April, 2016 as a result of the number of houses exceeding the Government's new limit of 200, which was announced in a Ministerial Statement on 20 March, 2015. Details of the forecast outturn are shown at Appendix F. The forecast outturn is a deficit of £33,000 which is being met from the HRA Reserve. This is owing to a higher level of void properties than expected which has resulted in lower rent income and higher repairs expenditure. These issues have been covered in detail in the HRA Business and Asset management Plan reported to Finance and Policy Committee on 30<sup>th</sup> October 2017.

### 7. Corporate Income Collection Performance

- 7.1 Previous reports advised Members that significant changes were implemented with effect from 1<sup>st</sup> April 2013 to re-localise Business Rates and implement Local Council Tax Support schemes. As a result of these changes approximately 70% (i.e. £51.1m) of the net General Fund budget is funded from a combination of Business Rates and Council Tax collected locally. The following paragraphs provide more information on the impact of these changes and also progress in collecting Sundry Debts.

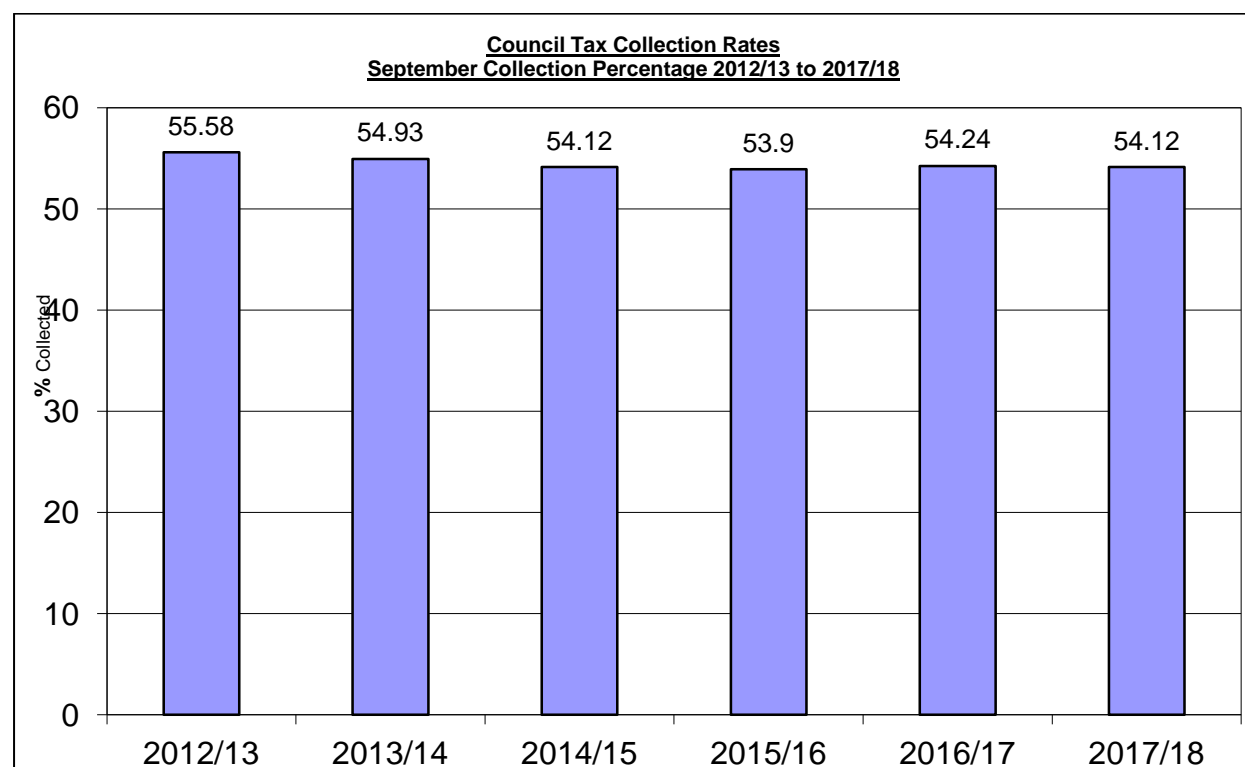
#### 7.2 Business Rates Income

- 7.3 The re-localisation of Business Rates is a significant additional financial risk for Local Authorities to manage - 50% of any shortfall arising from either non-payment by businesses, or reductions arising from the Valuation Office re-assessing rateable values, falls on individual authorities. A 'safety net' system is in operation, although this only compensates authorities for any shortfalls above 7.5% of the safety net figure. Prior to 2013/14 any shortfall in Business Rates collected was funded at a national level from the overall Business Rates pool.
- 7.4 Collecting Business Rates has always been an important responsibility, and the Council collected 98.4% in 2016/17 (national average 97.75% for unitary and metropolitan councils). The changes associated with localisation of business rates make this an even more important issue for the Council.

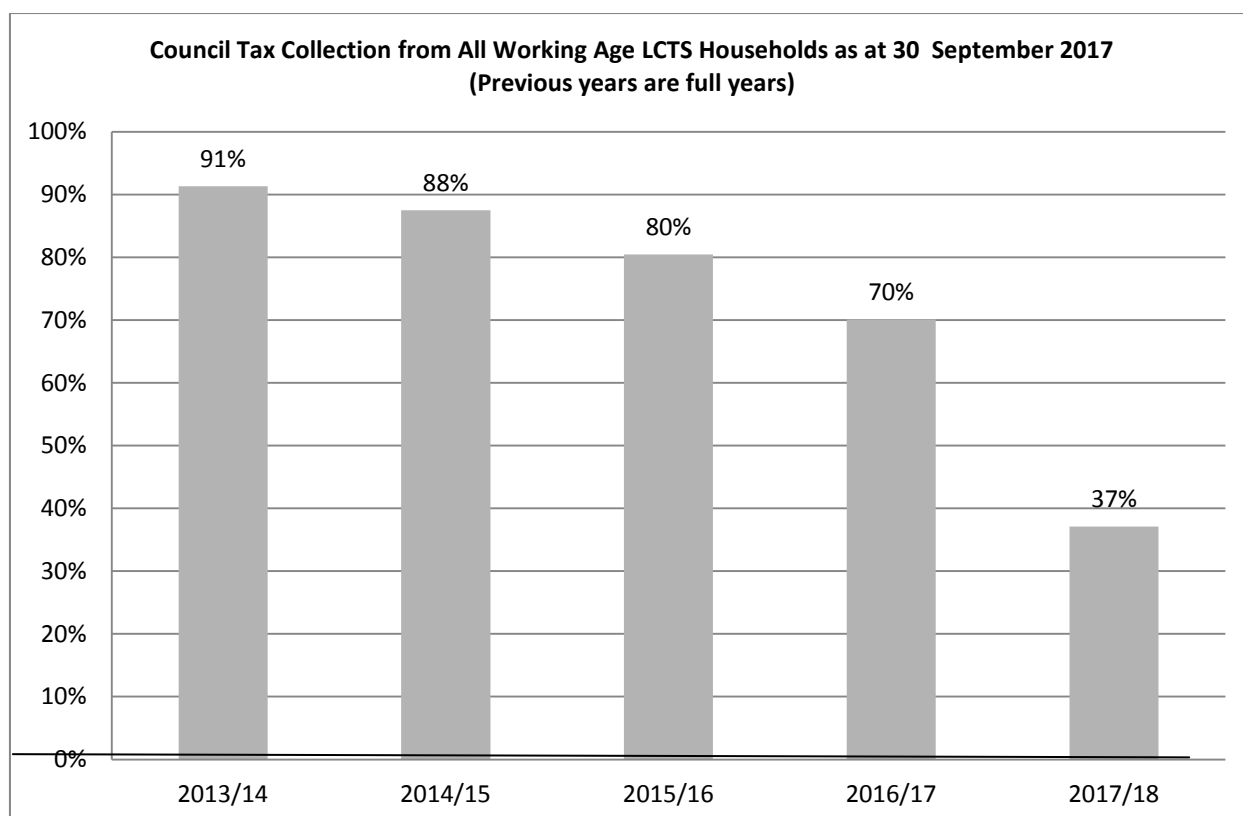
- 7.5 At the 30<sup>th</sup> September 2017 the Council had collected 53.12% of the 2017/18 liability, slightly up by 0.21% compared to the same period last year. A comprehensive review of the recovery status of all 2,825 business rates accounts has been undertaken which indicates that by the end of the financial year collection levels in excess of 98% should be sustained.

## 7.6 Council Tax

- 7.7 The overall Council Tax collection rate at 30<sup>th</sup> September 2017 was 54.12% compared to 54.24% for the same period last year, down slightly by 0.12%, as summarised in the graph below reflecting a stable position.



- 7.8 Collection performance is impacted by the time lag in recovering Council Tax by Attachment of Benefit, where the rate of deduction is capped at £3.70 per week and only one deduction can be active at any one time. This particularly affects working age households in receipt of Local Council Tax Support (LCTS).
- 7.9 There are about 8,100 working age households who receive LCTS. The Council monitors closely levels of collection from these households which have been impacted by a range of national welfare reforms. The graph below shows that collection from these households is positive, albeit there are the forecast time lags in securing collection.



7.10 Collection of Council Tax from LCTS households continues to be within the financial planning parameters that underpin the Council's LCTS scheme.

#### 7.11 Sundry Debts

7.12 The Council also collects significant Sundry Debts income for the payment of services provided by the Council. In total £15.262m of sundry debts were raised in the first six months of 2017/18. As at 30<sup>th</sup> September 2017, £12.945m (84.81%) of this amount had been collected.

7.13 Robust procedures for collecting the remaining outstanding debt are in place. The following graph shows the comparable positions at 30<sup>th</sup> September for the last three years for long term debt and current debt which has been outstanding for less than six months.



7.14 Debtors totalled £3.167m as at 30<sup>th</sup> September 2017, of which £2.279m (71.95%) relates to current debts (less than 6 months old).

7.15 Included within current debts (less than 6 months old) is debt where the customer has been invoiced for the whole of 2017/18 but payment is to be received in instalments throughout the year.

7.16 Debts greater than 6 months old total £0.888m. 96.99% of this amount is under recovery action and 4.90% (£27,000) is now considered unrecoverable and will be reported to Members for write off.

## 8. Capital Receipts Target

8.1 The Council previously set a capital receipt target to provide funding to offset the removal of HMR (Housing Market Renewal) funding in 2011. Owing to the challenging economic conditions over the last few years these capital receipts have taken longer to achieve than initially anticipated. At the 31<sup>st</sup> March 2017 £2.891m of this still needed to be achieved. This amount is net of capital receipts for King Oswy Drive/Former Henry Smiths site which is being received as instalments.

8.2 As a consequence of a reduction in the funding requirement for the Brierton and HMR Schemes as outlined in 9.4 the capital receipts target can be reduced by a further £0.131m to £2.753m. The best and worst case forecast net capital receipts for the year are summarised in the following table:

Description	Capital Receipts Target	
	Best Case £'000	Worst Case £'000
Existing Capital Receipts Target	2,891	2,891
Reduced Funding Requirement for the HMR & Brierton Schemes #	(138)	(138)
<b>Remaining Target</b>	<b>2,753</b>	<b>2,753</b>
Forecast Net Capital Receipts to 31 March 2018	(331)	(89)
<b>Forecast Capital Receipts Still to be Achieved to Meet Original Target</b>	<b>2,422</b>	<b>2,664</b>

# The £0.138m reduction in the capital receipts target relates to a saving on the North Central Hartlepool Housing Regeneration scheme of £0.117m and the Brierton Sports pitches scheme of £0.021m.

8.3 As previously reported the capital receipt in relation to the Hart land sale is anticipated to be the largest capital receipt achieved over the next three years but owing to the phased basis on which monies are likely to be received it will not make a significant contribution to the target until 2020/21. In the short term the position can be managed on a temporary basis using Prudential Borrowing.

## 9. 2017/18 Capital Programme Monitoring

9.1 Capital Expenditure for all departments to the 30<sup>th</sup> September 2017 is summarised in the table below.

Department	BUDGET		EXPENDITURE IN CURRENT YEAR				
	A	B	C	D	E	F	G
						C+D+E	F-B
	2017/18 and Future Years Budget £'000	2017/18 Budget £'000	2017/18 Actual at 30/09/2017 £'000	2017/18 Expenditure Remaining £'000	Expenditure Rephased to 2018/19 £'000	2017/18 Total Expenditure £'000	2017/18 Variance from budget £'000
Child & Adult	7,255	7,255	1,377	5,878	0	7,255	0
Public Health	615	550	138	394	0	532	(18)
Regeneration & Neighbourhoods	24,362	18,847	3,941	11,946	2,801	18,688	(159)
Chief Executive	477	477	7	470	0	477	0
Corporate	2,943	2,943	213	2,507	223	2,943	0
<b>Total Capital Expenditure</b>	<b>35,652</b>	<b>30,072</b>	<b>5,676</b>	<b>21,195</b>	<b>3,024</b>	<b>29,895</b>	<b>(177)</b>

9.2 The table above shows the overall capital budget for 2017/18 and future years, and the capital budget specific to 2017/18.

9.3 Actual expenditure to 30<sup>th</sup> September 2017 was £5.676m, compared to a 2017/18 budget of £30.072m; £3.024m has been re-phased to 2018/19 leaving £21.195m to be spent during the remainder of 2017/18. The re-phased budget relates mainly to vehicles purchases, which are being kept to a minimum while services are being reviewed.

9.4 Of the £0.177 favourable variance, £0.131m will be used to reduce the capital receipts target, see paragraph 8.2. The remaining £0.046m relates to an underspend on the Town Wall strengthening coast protection scheme funded

from grant. A request has been made to the Environment Agency to transfer the remaining funding to the Headland scheme to reduce borrowing requirements.

- 9.5 There is a longer lead in time for capital schemes and therefore it is not unusual for expenditure to be low at this stage of the year.

- 9.6 Detailed financial information on the capital programme for individual Departments by Committee is provided in Appendices G to K. Items to bring to Members attention are detailed below.

### **9.7 Empty Homes Phase 2**

- 9.8 This scheme has been reviewed in the light of increasing pressures on the HRA as detailed in the HRA Business and Asset Management Plan reported to Finance & Policy Committee on 30th October, 2017. At the 1st April, 2017 there were 24 remaining houses to be acquired under the scheme and two of these have been completed in accordance with the original scheme. For future acquisitions the scheme has been amended with agreement from the Homes and Communities Agency (HCA) to increase the amount of remaining grant that can be used to fund each house.

- 9.9 The approved grant per house has increased from £18,500 to £30,050 for the five remaining new build properties and from £18,500 to £37,000 for eight of the 17 remaining empty properties. The HCA have approved for five of these properties to be deferred into next financial year using the existing grant allocation. Additional grant funding is being sought and is expected to be awarded before proceeding with the remaining nine empty properties in 2018/19. These measures will help to fund better quality houses which will balance the housing stock in order to ensure the HRA is sustainable in terms of managing void levels and repairs. These amendments to the scheme were approved with authority delegated for business case approvals to the Chief Executive in consultation with the Director of Finance and Policy, Chief Solicitor and Chair of Finance and Policy Committee.

### **9.10 Burn Road Recycling Centre Improvements**

- 9.11 The final cost of this scheme exceeded the available budget by £15,000 as a result of unforeseen costs. The shortfall has been met by a contribution from the Waste Management revenue budget.

### **9.12 Carnegie Building – Boiler Renewal**

- 9.13 As part of the Councils Medium Term Financial Strategy reported to Finance and Policy Committee on 9<sup>th</sup> January, 2017, one-off resources were identified to fund capital priorities including £1m to address building condition issues and ensure continued delivery of services. The Medium Term Financial Strategy approved by Council, delegated authority to the Finance and Policy Committee to approve schemes to be funded from the £1m resources, and £552k was allocated by Finance and Policy Committee on 12<sup>th</sup> June 2017. This included a budget of



£35,000 to fund the replacement of the boiler at Carnegie Building. The budget was based on a pre design estimate using results from the condition survey. Subsequent detailed investigation, design and pricing has resulted in the identification of issues which has increased the cost of the works to £46,000. It is therefore recommended that the Committee approve the allocation of an additional £11,000 from the unallocated funding for the Building Programme.

9.14 The latest position on the Building Condition Programme is summarised below:

	<b>£'000</b>
Original allocation as per the MTFS	1,000
Less Schemes previously approved by F&P	(552)
<b>Unallocated Funding</b>	<b>448</b>
Less additional funding for Carnegie (as outlined above)	(11)
<b>Unallocated Funding available to support future schemes</b>	<b>437</b>

### 9.15 Section 106 Developers Contributions

9.16 The level of uncommitted funds as at 30<sup>th</sup> September 2017 was £0.849m. A table is attached at Appendix L showing that the amount brought forward from the previous financial year was £0.847m, with a further amount of £10,500 being received in year. To date amounts transferred to scheme include £2,500 for Lynnfield Playground, £1,200 for Brougham Playground and £5,000 for Burbank Playground.

## 10 CONCLUSION

- 10.1 As reported to this Committee on 10<sup>th</sup> July 2017 there was a 2016/17 net General Fund budget overspend of £0.262m and this confirmed the increasing financial challenges facing the Council. In particular these pressures related to Adult Social Care services and Children's Services. These pressures are continuing to impact on the Council in 2017/18 and are also affecting the majority of councils with responsibility for these services.
- 10.2 At a national level the Government recognised the Adult Social Care pressures through a combination of the revised Adult Social Care precept arrangements for 2017/18 to 2019/20 and the announcement in the Chancellor's March 2017 budget of additional funding for Adult Social Care.
- 10.3 The additional Adult Social Care funding announced by the Chancellor's in the March 2017 budget is front loaded and only approximately £0.7m will be sustained until 2019/20. The sustainability of this funding beyond 2019/20 is uncertain and will depend on proposals the Government implements for the long term funding of Adult Social Care and the outcome of the Local Government Fair Funding review. Updates will be reported to future meetings when more information is issued by the Government.

- 10.4 As reported previously the Government has not identified any additional funding to address Children's Services pressures. The LGA has recently indicated that there will be a £2 billion Children's Services funding gap by 2020.
- 10.5 The service pressures impacting on Children's Services in 2016/17 are continuing in 2017/18. The MTFS anticipated these additional costs and earmarked one-off resources to support this area in 2017/18 and 2018/19. This strategy is designed to provide a longer lead time to hopefully reduce demand, or for the Government to recognise the significant financial pressures facing Children's Services by providing additional funding.
- 10.6 As detailed in Section 5 a 2017/18 General Fund revenue budget over spend £0.250m is forecast. This mainly reflects Children's Services pressures and potential Regeneration and Neighbourhoods income shortfalls. To address the forecast deficit the following options are being explored and further details will be reported to a future meeting:
- identify 'discretionary spending' which can be stopped, or delayed;
  - reserves review has been completed. One off funding may need to be allocated to offset the overspend;
  - capitalise existing revenue spending.
- 10.7 In relation to collection of Business Rates and Council Tax these issues are impacted by the significant changes implemented in April 2013 and the ongoing difficult economic climate. At the 30th September 2017 Council Tax collection levels are stable at 54.12% slightly down on this stage last year and that business rates collection at 53.12% was slightly up on this stage last year. It is anticipated that robust recovery action pursued over the remainder of the financial year will ensure in-year collection targets are achieved.
- 10.8 The position in relation to achieving the capital receipts targets continues to be monitored closely. The proposed sale of land at Hart is anticipated to be the largest capital receipt to be achieved over the next three years (i.e. 2017/18 to 2019/20) and will be received in instalments over the period 2018/19 to 2020/21. Therefore there will continue to be a reliance on prudential borrowing until these monies are received. As it is not anticipated that there will be any significant increase in the Bank of England Base Rate, the cost of using prudential borrowing will be marginal. These additional costs can be accommodated from within the overall centralised estimates budget.

## **11. RECOMMENDATIONS**

- 11.1 It is recommended that Members:
- i) Note the report.
  - ii) Note the forecast 2017/18 General Fund Revenue budget overspend of £0.250m and to note that details of the options being explored to address the forecast overspend as detailed in paragraph 5.10, will be reported to a future meeting.

- iii) Approve the proposal to use the underspends in relation to the North Central Hartlepool Regeneration scheme (£0.110m) and Brierton site (£0.021m) to reduce the capital receipts target.
- iv) Approve the use of £11,000 from the unallocated Building Condition Fund budget to fund the additional cost of the Carnegie boiler replacement as detailed in paragraph 9.12.

## **12. REASONS FOR RECOMMENDATIONS**

To update the Finance and Policy Committee on the Council's financial position and to enable Members to make decisions as part of the overall budget process for 2017/18.

## **13. BACKGROUND PAPERS**

Medium Term Financial Strategy 2017/18 to 2019/20 report to Finance and Policy Committee 09.01.17.

Medium Term Financial Strategy 2017/18 to 2019/20 report to Finance and Policy Committee 31.10.16.

## **14. CONTACT OFFICER**

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**Table 1 - Forecast Outturn 2017/18**

<b>2016/17 Outturn £'000</b>		<b>Latest Forecast - Overspend/ (Underspend) £'000</b>
	<b>Departmental Budgets</b>	
(466)	Chief Executive's Dept	(210)
1,328	Child and Adult Services	2,602
0	Child and Adult Services - Salary Abatement and One-Off Income	(600)
218	Public Health	(55)
(45)	Regeneration and Neighbourhoods	280
0	Ring Fenced Departmental reserves as detailed in Table 2	340
0	Recommended Departmental reserves as detailed in Table 2	108
1,035	<b>Sub Total - Departmental Budgets</b>	2,465
	<b>Planned use of Departmental Reserves</b>	
	Children's Services	(1,400)
	Regeneration and Neighbourhoods	(245)
	<b>Sub Total - Planned use of Departmental Reserves</b>	(1,645)
	<b>Non Departmental issues</b>	
(2,575)	Corporate Budgets	(570)
1,860	Allocated to fund one off priorities to be determined as part of MTFS	0
(715)	<b>Sub Total - Corporate Budgets</b>	(570)
(58)	Uncommitted 2015/16 Outturn	0
262	<b>Net Overspend</b>	250

**Table 2 - Recommended Contributions to Reserves**

	Latest Forecast  £'000
<b>Ring-fenced Grant Reserves</b>	
Public Health Grant - any underspend on this grant will be transferred into a ringfenced reserve in line with the grant conditions.	240
Fraud and Error Reduction Incentive Scheme (FERIS), to be earmarked to address 2018-19 DWP Housing Administration grant cuts to mitigate impacts on benefit service standards.	100
<b>TOTAL</b>	<b>340</b>
<b>General Fund Reserves</b>	
An additional contribution towards the Children's Hub has been received from Stockton Borough Council to fund IT system improvements.	68
This is the forecast underspend across the Youth Service arising from holding posts vacant, reducing non-essential spend on supplies and services and maximising income. It is proposed to create a Youth Service reserve to support the work towards the Service potentially becoming a 'Mutual'; should the reserve not be required then it will be transferred to the existing LAC reserve.	30
This is to fund an employee on a fixed term contract in HR which does not end until August 2018.	10
<b>TOTAL</b>	<b>108</b>

## REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2017/18 as at 30th September, 2017

Approved 2017/2018 Budget	Description of Service Area	September Projected Outturn Adverse/ (Favourable) Latest Forecast	Director's Explanation of Variance
£'000		£'000	
<b>Finance and Policy Committee</b>			
(163)	Benefits	(100)	Finance and Policy Committee on 30th January, 2015 approved a favourable variance on Fraud and Error Reduction Incentive Scheme (FERIS), be earmarked to address 2016-17 DWP Housing Administration grant cuts to mitigate impacts on benefit service standards. There has been a further £100k FERIS grant received in 2017-18, which is also requested be earmarked for the same purpose but to address cuts in 2018-19.
(903)	Central Administration Recharges	0	
35	Civic Attendants	0	
985	Corporate Finance	(20)	The favourable variance is owing to vacant posts and some posts not being at the top of the grade.
626	Corporate Strategy & Public Consultation	7	The adverse variance is owing to reduced income generation on the corporate website.
(143)	Housing Benefits Subsidy	0	
195	Democratic	0	
77	Fraud	(13)	The favourable variance is owing to supplies and services savings.
895	Customer and Support Services	0	
505	Human Resources & Health and Safety	(40)	The favourable variance is owing to vacant posts and some posts not being at the top of the grade, offset by a reduction in income. £10k has been requested to create a reserve to extend a fixed term contract until August 2018.
226	Internal Audit	(4)	The favourable variance is owing to supplies and services savings.
421	Legal Services	40	The adverse variance is owing to reduced income generation on Land and Property Fees.
202	Municipal Elections and Registration of Electors	(30)	A favourable variance is anticipated after taking into account two by-elections in year.
(83)	Other Office Services	0	An adverse variance of £75k is expected owing to a slow down in Local Land Searches. This is owing to the number of companies using Environmental Information Regulations, this has been offset by the use of the corporate income risk reserve.
92	Procurement	0	
86	Public Relations	20	The adverse variance is owing to reduced income generation.
(110)	Registration Services	20	The adverse variance is owing to reduced income generation on both birth and death registration owing to services moving to North Tees Hospital.
(44)	Reprographics	0	
898	Revenues	0	
(446)	Revenue & Benefits Central	(41)	The favourable variance is owing to additional Court Cost income.
71	Scrutiny	(6)	This small variance is in relation to staffing savings
599	Shared Services	(30)	The favourable variance is owing to a software maintenance saving and additional income for payroll services.
124	Support to Members	10	
16	Training & Equality	0	
332	Corporate Management Running Expenses	(23)	The favourable variance is owing to a post not being at the top of the grade and a reduction in corporate subscriptions.
4,493	<b>Finance and Policy Committee Total (Before Creation of Reserves)</b>	<b>(210)</b>	
<b>Creation of Reserves</b>			
	FERIS Grant Project	100	Fraud and Error Reduction Incentive Scheme (FERIS), to be earmarked to address 2018-19 DWP Housing Administration grant cuts to mitigate impacts on benefit service standards.
	Human Resources & Health and Safety	10	Extension of fixed term contract to 31/8/18
4,493	<b>Chief Executives Total - Net of Reserves</b>	<b>(100)</b>	

**CHIEF EXECUTIVES**  
**PLANNED USE OF RESERVES**

The above figures include the 2017/2018 approved budget along with the planned use of Departmental Reserves created in previous years.  
The details below provide a breakdown of these reserves

Approved 2017/2018 Budget  £'000	Description of Service Area	Planned Usage 2017/2018  £'000	Variance Over/ (Under)  £'000	Director's Explanation of Variance
<b>Finance and Policy Committee</b>				
32	Corporate Strategy - ICT System Development	32	0	Reserve to fund transition costs in relation to technology and mobile working, and any costs attributable to keeping the authority PSN compliant.
3	Corporate Strategy - Performance Management	3	0	To support related costs for performance management over a 3 year period.
10	Public Relations	10	0	Reserve created to support changes to the Council's new branding guidelines.
25	Customer Services - ICT Development	25	0	Reserve created to assist with the implementation of the Council's new digital solution - Firmstep.
2	Civic Responsibilities	2	0	This reserve is committed in year for Civic items.
5	Registrars	5	0	To be used for Registrars software maintenance costs over 3 years.
18	People Framework Development	18	0	This will be used to fund the new Organisational Excellence Forum, Management and Leadership Development Programme.
20	Finance - IT Investment Shared Services	20	0	Shared Services Reserve for Project Development Work on E-Series and Webview.
91	Chief Executive's Department Ring Fenced Grants	10	(81)	The reserve created to fund a shortfall in the 2017-18 DWP Housing Administration Grant is no longer required to be used in 2017-18 as the Council has received Universal Credit Implementation Grant. This reserve will be utilised in 2018-19.
<b>206</b>	<b>Total</b>	<b>125</b>	<b>(81)</b>	

## REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2017/18 as at 30th September, 2017

Approved 2017/2018 Budget  £'000	Description of Service Area	September Projected Outturn Adverse/ (Favourable) Latest Forecast £'000	Director's Explanation of Variance
<b>Adult Committee</b>			
0	Carers & Assistive Technology	(7)	
3,233	Commissioning & Adults General	3	
1,758	Commissioning-Mental Health	0	Budget Pressures have previously been identified in this area and are funded in the current year from one-off iBCF Grant (c£150k).
9,881	Commissioning-Older People	21	Planned demand management reductions from increasing CCG income, the review of the Resource Allocation System and Direct Payment contingencies have been reflected in the budget however they will take time to be achieved. Current pressures in this area total c£500k and will be funded in the current year from the 'one-off' iBCF grant allocated for Protection of Adult Social Care.
8,074	Commissioning-Working Age Adult	0	A number of high cost packages have now ended resulting in savings being made from this area to partly offset the budgeted use of reserves required to balance the budget. Planned demand management reductions will be closely monitored during the year and may not all be achieved until 2018/19.
221	Complaints & Public Information	6	
325	Departmental Running Costs	26	
639	Direct Care & Support Team	(75)	This is the result of vacant hours and posts across both Telecare and Direct Care & Support.
425	LD & Transition Social Work	0	
2,556	Locality & Safeguarding Teams	0	Salary underspends arising from incremental drift and vacancies have been transferred towards the departmental salary abatement target. The costs of DoLS, which includes an overspend arising from unbudgeted costs from the High Court Judgement, will be funded in the current year from the one-off iBCF grant allocated for Protection of Adult Social Care.
727	Mental Health Services	(29)	
439	OT & Disability Equipment	0	
266	Workforce Planning & Dev	(30)	
1,169	Working Age Adult Day Services	(40)	
(125)	Departmental Reserves required to fund shortfall in 2016/17 savings.	125	The position will continue to be reviewed as the year progresses with the iBCF grant contributing in the current year towards this budget pressure.
<b>29,588</b>	<b>Adult Committee Sub Total</b>	<b>0</b>	



Approved 2017/2018 Budget  £'000	Description of Service Area	September Projected Outturn Adverse/ (Favourable) Latest Forecast £'000	Director's Explanation of Variance
<b>Children's Committee</b>			
11,551	Children & Families	3,040	The budget was set on the basis of requiring £1.4m from reserves in order to balance the budget. The pressures were mainly within Looked After Children and as outlined in previous reports the department are continuing with the demand reduction policies to reduce costs back down to the level of the recurring budget. However, as these will take time to implement and gain traction departmental reserves were identified. The projected overspend has significantly increased since the budget was set and this is reflected in the projected outturn position. LAC numbers have continued to increase across both in-house and high-cost residential placements and this accounts for the main reason for the increased overspend.
2,846	Early Intervention Services	(388)	This reflects a combination of 'one-off' savings arising from staff vacancies, incremental drift and in-year grant funding, 2018/19 savings achieved in advance and forecast under spends across a range of Early Help non-pay budgets. Reserves for the Youth Service and Children's Hub are to be created from specific underspends in their respective budget areas.
5	Play & Care	10	
296	Youth Offending Service	(60)	Expected grant funding reductions did not occur in 2017/18 and there have been some temporary staffing savings arising from the recent restructure.
127	Access to Education	0	
120	Central Support Services	0	
512	Other School Related Expenditure	0	
544	Raising Educational Achievement	0	
247	Special Educational Needs	0	
158	Strategic Management	0	
<b>16,406</b>	<b>Children's Committee Sub Total</b>	<b>2,602</b>	
0	Departmental Reserves required to fund budget pressures	(1,400)	Budgeted use of reserves to help fund LAC pressures in the current financial year.
0	Additional Contribution towards Departmental Salary Abatement Target & One-Off Income	(600)	This is the achievement of salary savings over and above those budgeted at the start of the year and one-off income received from planned reductions in Direct Payment contingencies.
<b>16,406</b>	<b>Children's Committee Sub Total (after release of reserves)</b>	<b>602</b>	
<b>45,994</b>	<b>Child and Adult Total - (before Creation of Reserves)</b>	<b>602</b>	
<b>Creation of Reserves</b>			
0	Youth Service - Support towards the possible creation of a 'Mutual' Youth Service	30	Through a combination of holding vacant posts, ceasing non-essential spend and maximising income opportunities the Youth Service proposes to create a Youth Service reserve to support the work towards the Service potentially becoming a 'Mutual'; should the reserve not be required then it will be transferred to the existing LAC reserve.
0	Children's Hub - Improve IT Options	68	An additional contribution towards the Hub has been received from Stockton Borough Council. It is proposed to transfer this to the existing Children's Hub reserve to enable the implementation of an essential IT upgrade to the 'Dashboard' system which will create an interface between the two local authority social care systems removing the need to duplicate data recording.
<b>45,994</b>	<b>Child &amp; Adults Total - Net of Reserves</b>	<b>700</b>	

**CHILD & ADULT SERVICES**  
**PLANNED USE OF RESERVES**

The above figures include the 2017/2018 approved budget along with the planned use of Departmental Reserves created in previous years.  
The details below provide a breakdown of these reserves

Approved 2017/2018 Budget £'000	Description of Service Area	Planned Usage 2017/2018 £'000	Variance Over/ (Under) £'000	Director's Explanation of Variance
<b>Adult Committee</b>				
125	Departmental Reserves to Fund 16/17 Savings Shortfall	0	(125)	Use of the iBCF grant allocated towards the Protection of Adult Social Care, demand management savings and review of existing budgets has reduced the demand on this reserve in 2017/18; it is anticipated further savings will be achieved over the next couple of years to eliminate the requirement to use this reserve to balance the budget.
55	Demand Management - Adults (Modern Apprentices)	0	(55)	The costs of employing the Apprentices will be funded from within the overall outturn.
140	Deprivation of Liberty Safeguards (DoLS)	0	(140)	DoLS to be funded from overall outturn to protect the value of the reserve
31	Care Bill Implementation	0	(31)	The costs are to be funded from the overall outturn to protect the value of the reserve which will enable the post to be funded in 2018/19.
<b>351</b>	<b>Adult Committee Sub Total</b>	<b>0</b>	<b>(351)</b>	
<b>Children's Committee</b>				
105	Early Intervention Reserve	105	0	This reserve is required in 2017/18 to fund additional Social Work posts however permanent funding has been included in the 2018/19 budget.
38	Wellbeing Fund	38	0	
27	Data Team	27	0	
45	SEND Team	45	0	
80	Education Commission	80	0	
167	Transforming Tees	167	0	
<b>462</b>	<b>Children's Committee Sub Total</b>	<b>462</b>	<b>0</b>	

<b>MEMO:-</b>	<b>Dedicated Schools Grant</b>			
<b>5,207</b>	Early Years	(45)	(4)	2 year old funding is forecast to overspend as take up is higher than the funding received. There is also uncertainty relating to the take up of the new 30hr per week provision for eligible 3/4 year olds from September.
<b>8,331</b>	High Needs	<b>875</b>	<b>0</b>	A funding strategy is being developed to manage this demand led budget. The overspend will be funded from reserves in 2017/18.
<b>34,632</b>	Schools	<b>17</b>	<b>17</b>	The Schools block is forecast to overspend, this is owing to the ongoing increase in licence costs.

## REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2017/18 as at 30th September, 2017

Approved 2017/2018 Budget  £'000	Description of Service Area	September Projected Outturn Adverse/ (Favourable) Latest Forecast £'000	Director's Explanation of Variance
<b>Finance and Policy Committee</b>			
<b>Public Health Grant</b>			
3,468	Childrens Public Health	0	Any adverse variance on the 0-19 Services will be funded from Public Health Grant Reserves in 2017/18.
0	Community Hubs	5	Adverse variance relates to staffing costs.
92	Health Check Programme	0	
722	Misc Public Health Services	0	
101	Obesity	10	Adverse variance relates to staffing costs.
173	Physical Activity	0	
156	Prescribing	25	Adverse variance relates to additional activity on Substance Misuse Prescribing.
863	Public Health Advice	(5)	Favourable variance relates to staffing costs.
636	Sexual Health	15	Adverse variance relates to a contracted service.
253	Smoking & Tobacco	(15)	Favourable variance represents the agreed contract savings for 2017/18. These savings will be used to support the agreed savings programme in 2018/19.
2,531	Substance Misuse	(275)	Favourable variance relates to efficiencies achieved following the transfer of the service in-house. These savings will be used to support the approved savings programme in 2018/19.
(8,995)	Public Health Main Grant	0	
0	<b>Public Health Grant Subtotal</b>	(240)	
<b>Public Health General Fund</b>			
637	Consumer Services	10	Adverse variance relates to a potential shortfall in Licensing Income.
637	<b>Public Health General Fund Subtotal</b>	10	
637	<b>Finance and Policy Committee Sub Total</b>	(230)	
<b>Regeneration Committee</b>			
<b>Public Health General Fund</b>			
(3)	Environmental Protection	5	Adverse variance relates to a potential shortfall in Pest Control Income.
(34)	Environmental Standards	5	Adverse variance relates to a potential shortfall in income from Markets.
475	Sport, Leisure & Recreation Facilities	165	The adverse variance relates to income shortfalls at the Borough Hall (£65k latest) and Carlton (£100k latest). This variance assumes that the overall adverse variance on Sports facilities (£120k Worst Case) will be funded from Reserves in 2017/18.
438	<b>Public Health General Fund Subtotal</b>	175	
438	<b>Regeneration Committee Sub Total</b>	175	
1,075	<b>Public Health Total - before Reserves</b>	(55)	
<b>Creation of Reserves</b>			
0	Public Health Ring fenced Grant	240	The Public Health Grant is ring fenced and any underspend will be transferred into a ringfenced reserve in line with the grant conditions.
1,075	<b>Public Health Total - Net of Reserves</b>	185	

**PLANNED USE OF RESERVES**

The above figures include the 2017/2018 approved budget along with the planned use of Departmental Reserves created in previous years.  
 The details below provide a breakdown of these reserves

Approved 2017/2018 Budget £'000	Description of Service Area	Planned Usage 2017/2018 £'000	Variance Over/ (Under) £'000	Director's Explanation of Variance
Regeneration Committee				
86	PCT Reserve - Employee Wellbeing Strategy	86	0	
250	Drugs Action Team Reserve - Tier 4 Support	250	0	
1,134	Public Health Grant	1,004	(130)	This variance relates to the profile of expenditure over years.
10	Sport and Recreation Reserve	10	0	
1,480	Total	1,350	(130)	

## REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2017/18 as at 30th September, 2017

Approved 2017/2018 Budget	Description of Service Area	September Projected Outturn Adverse/ (Favourable) Latest Forecast	Director's Explanation of Variance
£'000		£'000	
<b>Finance &amp; Policy Committee</b>			
969	Community Safety & Engagement	0	
491	Strategic Management, Admin & Service Development	0	
(142)	Logistics	0	
329	Estates & Asset Management	0	
(833)	Building Consultancy	250	The adverse variance is in line with last years position. A review of this area is underway to evaluate the fee earning capacity.
565	Facilities Management - Building Cleaning	30	Adverse variance relates to a shortfall in income. A pricing review is underway to ensure the account breaks even going forward.
59	Facilities Management - Building Maintenance	(40)	The current position shows a favourable variance of £40k at this stage in the year.
0	Facilities Management - Functions Catering/Garden Centre	35	It is very early to predict the performance on Trading activity however the adverse variance relates to a deficit projected at the Garden Centre, based on the position reported in previous years. This area is under review and the position will be updated when the future of the site has been considered in more detail.
159	Facilities Management - Other - Security & Public Cons	0	
13	Facilities Management - School Catering	(40)	This favourable variance is after the transfer of £40k to Capital to support the investment required in School Kitchens.
<b>1,610</b>	<b>Finance &amp; Policy Committee Sub Total</b>	<b>235</b>	
<b>Regeneration Committee</b>			
(50)	Adult Education	0	
20	Archaeology	0	
31	Community Centres	0	
637	Cultural Services	35	The adverse variance relates to a shortfall in income and some one-off costs associated with events.
949	Libraries	0	
72	Building Control	20	It is difficult to predict the outturn for this area however there is a risk that there could be a shortfall in income at year end.
199	Planning Services	115	The adverse variance relates to a potential shortfall in income. It is difficult to predict the outturn at this stage as approximately 80% of the fee income comes from large scale projects and the timing of these applications is difficult to predict.
472	Housing Services	(45)	Favourable variance relates to an underspend on staffing costs.
612	Economic Regeneration	15	Adverse variance relates to one off costs associated with specific schemes.
(107)	Economic Regeneration - External Funding	90	The adverse variance relates to a shortfall in income. Plans to generate general fund savings from Grant income have not been possible owing to changes in the Grant Regimes now available and this income pressure has therefore been factored into the 2018/19 savings proposals approved.
243	Heritage & Countryside	0	
<b>3,078</b>	<b>Regeneration Committee Sub Total</b>	<b>230</b>	

Approved 2017/2018 Budget  £'000	Description of Service Area	September Projected Outturn Adverse/ (Favourable) Latest Forecast  £'000	Director's Explanation of Variance
<b>Neighbourhood Committee</b>			
(407)	Cemetery and Crematoria	0	
270	Parks, Open Spaces & Beach Safety	0	
31	Allotments	0	
(503)	Car Parking & Enforcement	40	Adverse variance relates to some one-off costs incurred in year and a potential shortfall in income.
398	Engineering Services (incl Coastal Protection and Contaminated Land)	0	
1,526	Grounds Maintenance	(10)	Favourable variance relates to advance savings achieved in relation to vehicles.
1,995	Highway Maintenance & Insurance	(60)	It is difficult to predict the outturn for this area however it is anticipated that there will be favourable variance in this area by the end of the year.
(319)	Highways Trading	60	The adverse variance relates to a shortfall in income. This will be offset by an underspend on the maintenance budget above.
426	Highways Traffic & Transp Management	0	
1,384	Passenger Transport	(60)	The favourable Variance relates to the Home to School Transport budget. This is a demand led service and forecasts will need to be refined in October based on the requirements in the new Academic Year.
130	Road Safety	0	
(219)	Vehicle Fleet	(230)	The favourable variance relates to temporary savings on vehicle borrowing costs as vehicles are kept for longer. The review of vehicles may result in some vehicles being withdrawn and others financed over a longer period and the permanent savings associated with these changes have been factored into the Departments future savings programme.
(1)	NDORS (National Driver Offender Rehabilitation) Scheme	0	
1,191	Network Infrastructure	(80)	The favourable variance relates to an underspend on Energy costs associated with Street Lighting following the LED replacement programme. Additional savings have been included in 2018/19 to reflect this position.
0	Section 38's	(60)	Favourable variance relates to the net income received on adopted schemes in 2017/18.
(1)	Traffic Management	0	
2,427	Sustainable Transport	(120)	Favourable variance reflects the negotiated position for Concessionary Fares which is less than the agreed budget in 2017/18.
1,411	Street Cleansing	0	
4,895	Waste & Environmental Services	90	The adverse variance reflects various budget pressures facing this service including changes at the Household Waste Recycling Centre. This has been offset by a favourable variance on income from recyclable materials.
14,634	<b>Neighbourhood Committee Sub Total</b>	<b>(430)</b>	
19,322	<b>Regeneration &amp; Neighbourhoods Total before reserves</b>	<b>35</b>	
<b>Creation of Reserves</b>			
19,322	<b>Regeneration and Neighbourhoods Total - Net of Reserves</b>	<b>35</b>	

**REGENERATION AND NEIGHBOURHOODS**  
**PLANNED USE OF RESERVES**

The above figures include the 2017/2018 approved budget along with the planned use of Departmental Reserves created in previous years.  
The details below provide a breakdown of these reserves

Approved 2017/2018 Budget  £'000	Description of Service Area	Planned Usage 2016/2017  £'000	Variance Over/ (Under)  £'000	Director's Explanation of Variance
<b>Finance &amp; Policy Committee</b>				
55	Civic Lottery - Ward Member Budgets	55	0	
42	Community Safety Specific Grants	42	0	
<b>Regeneration Committee</b>				
134	Adult Education	134	0	
186	Local Plan	186	0	
250	Economic Regeneration Schemes	250	0	
30	Libraries	30	0	
3	Archaeology	3	0	
5	Works in Default - Empty Properties	5	0	
176	National Museum of the Royal Navy Hartlepool	176	0	
41	Selective Licensing/Housing	41	0	
<b>Neighbourhood Committee</b>				
30	Environmental Apprentices	30	0	
50	Fleet	50	0	
40	Flood Prevention Reserve	40	0	
50	Winter maintenance	50	0	
38	Concessionary Fares	0	(38)	This variance relates to the profile of expenditure over years.
15	Bikeability	15	0	
16	Speed Cameras	16	0	
149	Environmental Enhancements	149	0	
<b>1,310</b>	<b>Total</b>	<b>1,272</b>	<b>(38)</b>	

## HOUSING REVENUE ACCOUNT

## 6.2 Appendix F

### REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2017/18 as at 30th September, 2017

	Budget	Projected Outturn	Projected Outturn Variance	Director's Explanation of Variance
	£'000	£'000	£'000	
<b>Income</b>				
Dwelling Rents	(1,080)	(985)	95	Higher level of Voids
Charges for services and facilities	(2)	(2)	0	
Other Income	(12)	(40)	(28)	Includes one-off additional income from PV solar panels.
<b>Income sub total</b>	<b>(1,094)</b>	<b>(1,027)</b>	<b>67</b>	
<b>Expenditure</b>				
Repairs and maintenance	101	160	59	Higher repairs and inspection costs mainly owing to high level of voids
Supervision and management	245	255	10	
Rents, rates, taxes and other charges	15	25	10	
Increase in provision for bad or doubtful debts	30	30	0	
Depreciation of fixed assets (Major Repairs Allowance)	258	265	7	
Debt Management	10	10	0	
<b>Expenditure sub total</b>	<b>659</b>	<b>745</b>	<b>86</b>	
<b>Net cost of services</b>	<b>(435)</b>	<b>(282)</b>	<b>153</b>	
Interest payable	355	330	(25)	Lower expenditure financed by borrowing owing to reprofiling of Empty Properties scheme.
HRA investment income	(6)	(15)	(9)	
<b>HRA Operating (Surplus) / Deficit for the year</b>	<b>(86)</b>	<b>33</b>	<b>119</b>	
<b>Movement on the HRA Reserve</b>				
HRA Reserve Opening Balance	(530)	(538)	(8)	The opening balance has changed as when the budget was set the surplus for 2016/17 was not expected
(Surplus)/Deficit for the year	(86)	33	119	
<b>HRA Reserve Closing Balance</b>	<b>(616)</b>	<b>(505)</b>	<b>111</b>	



## CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	Scheme Title	BUDGET		EXPENDITURE IN CURRENT YEAR					Type of Financing	2017/18 COMMENTS
		A	B	C	D	E	F	G		
		2017/18 and Future Years Budget £'000	2017/18 Budget £'000	2017/18 Actual 30/09/2017 £'000	2017/18 Expenditure Remaining £'000	Expenditure Rephased into 2018/19 £'000	(C+D+E) 2017/18 Total Expenditure £'000	(F-B) 2017/18 Variance from Budget £'000		
Adult Committee										
7234	Chronically Sick and Disabled Persons Adaptations	297	297	0	297	0	297	0	MIX	
8108	Centre for Independent Living - New Build	213	213	9	204	0	213	0	MIX	Actual spend relates to landscaping work.
	Adult Committee Sub Total	510	510	9	501	0	510	0		
Children's Committee										
8072 & 8218	Children's Centre's Capital	44	44	0	44	0	44	0	MIX	
8587	Brougham Primary School - Air Handling Unit Replacement	36	36	0	36	0	36	0	GRANT	
7388	Clavering Primary - Electrical Rewire	135	135	76	59	0	135	0	GRANT	
7387	Clavering Primary - KS2 Remodelling and Hall Expansion	324	324	99	225	0	324	0	GRANT	
8907	Clavering Primary - Roof Replacement	32	32	21	11	0	32	0	GRANT	Scheme Complete - Awaiting Final Account
7384	Devolved Schools Capital	354	354	19	335	0	354	0	GRANT	
7425	Eldon Grove Primary School - Increase Fence Line	26	26	25	1	0	26	0	RCCO	Scheme Complete - Awaiting Final Account
8948	Eldon Grove Primary School - Dining Room Extension	231	231	44	187	0	231	0	RCCO	
7390	Fens Primary School - Heating Distribution (Phase 3 of 3)	70	70	30	40	0	70	0	GRANT	Scheme Complete - Awaiting Final Account
7391	Fens Primary School - Resurfacing	35	35	32	3	0	35	0	GRANT	Scheme Complete - Awaiting Final Account
7399	Fens Primary School - Schools led Premises Work	6	6	6	0	0	6	0	RCCO	
8947	Fens Primary School - Heating Distribution (Phase 2 of 3)	9	9	4	5	0	9	0	GRANT	Scheme Complete - Awaiting Final Account
7393	Golden Flatts Primary School - Electrical Rewire	95	95	80	15	0	95	0	GRANT	Scheme Complete - Awaiting Final Account
8947	Golden Flatts Primary School - Heating Distribution	24	24	6	0	0	6	(18)	GRANT	Scheme Complete - Underspend returned to unallocated
8907	Golden Flatts Primary School - Roofing Replacement	40	40	27	13	0	40	0	GRANT	Scheme Complete - Awaiting Final Account
8906	Grange Primary School - Window Replacement	25	25	0	25	0	25	0	GRANT	
8907	Grange Primary School Roofing Replacement	60	60	40	20	0	60	0	GRANT	Scheme Complete - Awaiting Final Account
8457	Grange Primary School - Boiler Renewal	68	68	27	41	0	68	0	GRANT	
7394	Hart Primary School - SEND Adaptations	25	25	0	25	0	25	0	GRANT	
8718	High Tunstall School - Demolish Two Mobile Units	28	28	3	25	0	28	0	GRANT	
7396	High Tunstall School - Roofing - Block D	300	300	31	269	0	300	0	GRANT	
7392	High Tunstall School - Toilet Refurbishment - Block D	15	15	0	15	0	15	0	GRANT	Scheme on hold pending the new build specification.
8906	High Tunstall School - Window Replacement - Block D	140	140	0	140	0	140	0	GRANT	Scheme on hold pending the new build specification.
8547	Lynnfield School - Boiler Renewal	63	63	23	40	0	63	0	GRANT	Scheme Complete - Awaiting Final Account
8907	Lynnfield School - Roof Replacement	90	90	0	90	0	90	0	GRANT	
7392	Lynnfield School - Toilet Refurbishment	60	60	5	55	0	60	0	GRANT	Scheme on Hold
8604	Pupil Referral Unit - Replacement Doorsets with Security Doors	1	1		1	0	1	0	MIX	Scheme Complete - Awaiting Final Account
7586	Purchase of Computer Equipment - City Learning Centre	4	4	0	4	0	4	0	RCCO	
8947	Rift House Primary School - Heating Distribution (1 of 2)	55	55	30	25	0	55	0	GRANT	
8907	Rift House Primary School - Roofing Replacement	58	58	3	55	0	58	0	GRANT	Scheme Complete - Awaiting Final Account
8891	Rift House Primary School - Classroom Extension	578	578	396	182	0	578	0	MIX	
8906	Rift House Childrens Centre - Window Replacement	32	32	0	32	0	32	0	GRANT	Scheme on Hold

## CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	Scheme Title	BUDGET		EXPENDITURE IN CURRENT YEAR					Type of Financing	2017/18 COMMENTS
		A 2017/18 and Future Years Budget £'000	B 2017/18 Budget £'000	C 2017/18 Actual 30/09/2017 £'000	D 2017/18 Expenditure Remaining £'000	E Expenditure Rephased into 2018/19 £'000	F (C+D+E) 2017/18 Total Expenditure £'000	G (F-B) 2017/18 Variance from Budget £'000		
71477	Rift House - Fire Damage	72	72	72	0	0	72	0	MIX	Insurance
	Rift House - Language Lab	35	35	0	35	0	35	0	RCCO	
7392	Rossmere Primary School - Toilet Refurbishment	6	6	0	6	0	6	0	GRANT	
8906	Rossmere Primary School - Window Replacement	25	25	0	25	0	25	0	GRANT	
7421	School Travel Plans	2	2	0	2	0	2	0	GRANT	
8138	Schools General - BSF - ICT	53	53	1	52	0	53	0	GRANT	
9004	Schools General - Contingency	150	150	0	150	0	150	0	GRANT	
9004	Schools General - Funding Currently Unallocated	58	58	0	80	0	80	22	MIX	Increased by underspends on completed schemes
9004	Schools General - RCCO Earmarked for Asbestos Surveys	1	1	1	0	0	1	0	RCCO	
9004	Schools General - Suitability RCCO Unallocated	700	700	0	700	0	700	0	RCCO	
9004	Schools General - Basic Need	1,675	1,675	0	1,675	0	1,675	0	GRANT	
8788	Schools General - Universal Free School Meals	43	43	0	43	0	43	0	GRANT	
7397	Springwell Primary School - Mechanical Air Handling Units	19	19	4	15	0	19	0	GRANT	
8590	Springwell Primary School - Electrical Distribution System	39	39	35	0	0	35	(4)	GRANT	Scheme Complete - Underspend returned to unallocated
7419	Springwell Primary School - Conservatory Conversion	36	36	6	30	0	36	0	RCCO	
7422	St Cuthbert's Primary School - Mobile Unit Toilet Extension	88	88	0	88	0	88	0	RCCO	
7392	St Helen's Primary School - Toilet Refurbishment (KS2)	55	55	5	50	0	55	0	GRANT	
8947	St Helen's Primary School - Heating Distribution	1	1	1	0	0	1	0	GRANT	
	St Helen's Primary School - Language Lab	35	35	0	35	0	35	0	RCCO	
7423	Sacred Heart Primary School - Car Parking Extension	12	12	0	12	0	12	0	RCCO	
7420	Stranton Primary School - Access Road and Pathways	10	10	0	10	0	10	0	RCCO	
7423	Stranton Primary School - Car Parking Extension	116	116	116	0	0	116	0	RCCO	Scheme Complete - Awaiting Final Account
8907	Throston Primary School - Roofing (Phase 1 of 2)	75	75	49	26	0	75	0	GRANT	Scheme Complete - Awaiting Final Account
TBC	Throston Primary School - Convector Fan Renewal	10	10	0	10	0	10	0	GRANT	
7521	Two year old Free Nursery Entitlement Capacity Building	23	23	0	23	0	23	0	GRANT	
7385	Ward Jackson Primary School - Disabled Access to Classroom	2	2	2	0	0	2	0	RCCO	Scheme Complete - Awaiting Final Account
8950	West Park Primary School - Rectify Sound Issues to Extension	6	6	0	6	0	6	0	RCCO	
7386	West Park - Early Years Extension	187	187	20	167	0	187	0	GRANT	
8653	West View Primary School - Early Years Foundation Stage Improvements	148	148	29	119	0	148	0	RCCO	
Children's Committee Sub Total		6,745	6,745	1,368	5,377	0	6,745	0		
Child & Adult Services Total		7,255	7,255	1,377	5,878	0	7,255	0		

## Key

RCCO Revenue Contribution towards Capital  
MIX Combination of Funding Types  
UCPB Unsupported Corporate Prudential Borrowing  
SCE Supported Capital Expenditure (Revenue)

GRANT  
CAP REC  
UDPB  
SPB

Grant Funded  
Capital Receipt  
Unsupported Departmental Prudential Borrowing  
Supported Prudential Borrowing

## CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	A	BUDGET		EXPENDITURE IN CURRENT YEAR						2017/18 COMMENTS
	Scheme Title	A	B	C	D	E	F	G	H	
		2017/18 and Future Years Budget £'000	2017/18 Budget £'000	2017/18 Actual 30/09/2017 £'000	2017/18 Expenditure Remaining £'000	Expenditure Rephased into 2018/19 £'000	C+D+E 2017/18 Total Expenditure £'000	F-B 2017/18 Variance from budget £'000	Type of financing	
Finance & Policy Committee										
8710	Drug & Alcohol Recovery Centre	30	30	5	25	0	30	0	GRANT	Renovation work is underway
8946	Stepping Stones Grant	142	142	27	115	0	142	0	GRANT	To purchase a new building for use by 'Addaction'
8088	Community Hub - South	119	119	5	114	0	119	0	CORP	Renovation work is underway to create Hub
8088	Community Hub - Central	68	68	24	44	0	68	0	CORP	Renovation work is underway to create Hub
8098	Community Hub - North	80	80	38	42	0	80	0	CORP	Renovation work is underway to create Hub
	Finance & Policy Committee Sub Total	439	439	99	340	0	439	0		
Regeneration Committee										
8103	Swimming Scheme	35	0	0	0	0	0	0	RCCO	Amounts set aside for maintenance and equipment purchase. A transfer of £10k has been made from this budget as described below. No further expenditure is expected in the current year.
new	Brierton Dance Studio Equipment	10	10	0	10	0	10	0	RCCO	A budget transfer virement of £10k has been approved by the Director using delegated powers under the Budget & Policy Framework to fund equipment and works required to protect service delivery following a Health & Safety risk assessment.
7992	Junior Football Pitches	26	26	0	26	0	26	0	RCCO	Earmarked to be used as match funding with on a Sports England scheme if the bid is successful.
8408	Mill House - Equipment Purchase	5	5	2	3	0	5	0	RCCO	Used to fund Equipment replacement when required.
8689	Brierton Sports Fields	55	55	25	12	0	37	(18)	MIX	The scheme has been completed under budget with less drainage work required than anticipated. The resulting saving in capital receipts enables the capital receipts target to be reduced. See para 8.2 in the report.
8016	Summerhill Multi User Route	2	2	0	2	0	2	0	GRANT	Funded from Section 106
8409	Sport & Youth Improvements	12	12	12	0	0	12	0	MIX	To be used as match funding in future grant bid for work required at Carlton
8964	Brierton Sports Hall Techno Gym	1	1	0	1	0	1	0	GRANT	Used to fund equipment purchase/replacement when required.
8896	Brierton Tennis Courts	30	0	0	0	0	0	0	CAP REC	Awaiting finalisation of the Sports facilities strategy for Brierton.
	Regeneration Committee Sub Total	176	111	39	54	0	93	(18)		
	Public Health Services Total	615	550	138	394	0	532	(18)		

## Key

RCCO Revenue Contribution towards Capital  
MIX Combination of Funding Types  
UCPB Unsupported Corporate Prudential Borrowing

GRANT  
CAP REC  
UDPB

Grant Funded  
Capital Receipt  
Unsupported Departmental Prudential Borrowing

## CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	Scheme Title	BUDGET		EXPENDITURE IN CURRENT YEAR					Type of Financing	2017/18 COMMENTS
		A	B	C	D	E	F	G		
		2017/18 and Future Years Budget £'000	2017/18 Budget £'000	2017/18 Actual as at 30/09/17 £'000	2017/18 Expenditure Remaining £'000	Expenditure Rephased into 2018/19 £'000	(C+D+E) 2017/18 Total Expenditure £'000	(F-B) 2017/18 Variance from Budget £'000		
Finance & Policy Committee										
8306	School Catering Equipment	353	100	0	100	0	100	0	RCCO	Amounts set aside from the revenue budget to meet the capital cost of kitchen equipment replacement.
8793	Brierton Site Development	20	20	0	17	0	17	(3)	CAP REC	Underspend relating to lower landscaping costs to be used to reduce capital receipts target as detailed in para 8.2 in the report.
Finance & Policy Committee Sub Total		373	120	0	117	0	117	(3)		
Regeneration Committee										
7218	Housing - Disabled Facility Grants	1,262	1,262	345	667	250	1,262	0	MIX	Includes an estimate of the amount to be rephased owing to the limited current capacity of local contractors to deliver.
7220	Housing - Private Sector Grants	57	57	26	5	26	57	0	GRANT	Although the recurring funding for this budget ended in 2010/11, the remaining balance has been used for 'home plus' grants for essential repairs/works to enable vulnerable owner occupiers to remain in their homes. Additional refunds received in year have increased the available budget resulting in rephased funding to be used next year.
8106	Housing - Former RTBs	121	0	0	0	0	0	0	GRANT	Relates to former RTBs. The HRA Business and Asset Management Plan report to F&P Committee on 30th October includes proposals for using this to fund additional houses in future years.
8155	Housing - Preventing Repossession	12	12	6	6	0	12	0	GRANT	Demand led budget. Expected to be spent this year.
8795	Housing - Empty Home Phase 2	1,987	1,987	234	720	1,033	1,987	0	MIX	The HRA Business and Asset Management Plan report to F&P on 30th October highlighted pressures on the HRA and the need for more sustainable properties. The original profile of 24 units has been reprofiled following consultation with the HCA as outline in para 9.7 in the report.
8605	Housing - North Central Hartlepool Housing Regeneration	669	669	0	339	220	559	(110)	CAP REC	The final residual costs and outstanding liabilities are now confirmed resulting in a saving that can be used to reduce the Council's capital receipts target as detailed in para 8.2 in the report. The remaining staged payments to Place First are expected to run into next financial year.
7530	Developers Contributions (Section 106)	849	0	0	0	0	0	0	GRANT	Relates to amounts received and earmarked for purposes specified in developer agreements, but not yet transferred to a budget/scheme. Details are set out in Appendix L.
8956	ISQ - Church Square	1,349	1,156	29	1,127	0	1,156	0	GRANT	Contractors have been appointed and works are being scheduled. An updated budget profile will be reported in quarter 3.
8901	ISQ - Workspace	3,517	2,321	39	2,282	0	2,321	0	GRANT	Includes National Productivity Investment Fund (NPIF) grant of £300k which is being held as a contingency but may be required to fund pressures on the ISQ programme approved by F&P 18th September, 2017. Works are now underway.

## CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	Scheme Title	BUDGET		EXPENDITURE IN CURRENT YEAR					Type of Financing	2017/18 COMMENTS
		A 2017/18 and Future Years Budget £'000	B 2017/18 Budget £'000	C 2017/18 Actual as at 30/09/17 £'000	D 2017/18 Expenditure Remaining £'000	E Expenditure Rephased into 2018/19 £'000	F (C+D+E) 2017/18 Total Expenditure £'000	G (F-B) 2017/18 Variance from Budget £'000		
7043	ISQ Church Street Public Realm	2,095	1,796	6	1,790	0	1,796	0	MIX	Scheme progressing. Contractor appointed 30th October, 2017.
7048	ISQ Stockton Street Connectivity	1,130	40	7	33	0	40	0	MIX	Scheme planned for 2018/19
newisq	ISQ - Broadband	30	0	0	0	0	0	0	GRANT	Future year scheme.
new	ISQ - Church Street Building Grants (HLF)	653	0	0	0	0	0	0	GRANT	Part of the £1.136m scheme recently approved by the HLF
7238	Museums Exhibition Equipment	14	14	1	13	0	14	0	GRANT	Anticipated spend to budget.
AD	Adult Education - Replace IT	26	26	0	26	0	26	0	GRANT	It is anticipated that a new MIS system compatible with SFA-Skills Funding Agency , will be purchased by February 2018 with implementation by June 2018..
	<b>Regeneration Committee Sub Total</b>	<b>13,771</b>	<b>9,340</b>	<b>693</b>	<b>7,008</b>	<b>1,529</b>	<b>9,230</b>	<b>(110)</b>		
7272	Wheelie Bin Purchases	90	90	42	48	0	90	0	RCCO	The annual budget for new wheelie bins.
7239	Belly Bins	90	90	90	0	0	90	0	RCCO	Funded from amounts previously set aside at outturn to fund environmental initiatives.
7466	DSO Vehicle Purchases	1,413	1,413	39	611	763	1,413	0	UDPB	Replacement of vehicles has been kept to the minimum possible while services are reviewed.
7878	Community Safety CCTV Upgrade/Relocation	416	416	284	132	0	416	0	MIX	All works expected to be completed within budget in the current year.
CR	Crematorium Chapel refurbishment	320	33	2	31	0	33	0	RCCO	Essential works are required to the chapel.
Allot	Allotments Improvements	205	205	0	0	205	205	0	UDPB	The Neighbourhoods Committee at its meeting on 27th July 2016 approved for £100k to be re-phased to fund relocation costs as a result of the required future expansion of Stranton Cemetery. The relocation of tenants continues and is anticipated to be completed by March 2018. A second phase of the Allotments review is underway and is expected to report in December 2017 on a proposed programme of works. This review will be tabled at the allotments Focus Group for information before being taken to the Neighbourhood Services Committee for approval.
LTP	Local Transport Plan (LTP)- Schemes	2,643	2,643	1,191	1,189	263	2,643	0	GRANT	Consist of various Highways & Traffic schemes. Any rephased reflects the need to carry forward funding as a result of unforeseen delays/design /consultation. It is envisaged that the Structural Highways Maintenance (SHM) element will be fully spent. The favourable variance reflects the proposal to transfer budget to the Seaton Car Parking Pay & Display scheme.
PLAY	Parks & Playgrounds	106	62	21	41	0	62	0	GRANT	This budget is for major works to ensure the safety of parks and playgrounds.
8897	Burn Road Recycling Centre Improvements	317	317	317	0	0	317	0	MIX	Includes a RCCO of £15,000 to fund unforeseen costs.
7006	Seaton Carew Car Parking	13	13	0	0	13	13	0	RCCO	Relates to extension and improvement of off- street car parks.
7179	Marina Way Land Adoption	8	8	8	0	0	8	0	RCCO	Funded by an RCCO from Section 38

## CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	Scheme Title	BUDGET		EXPENDITURE IN CURRENT YEAR					Type of Financing	2017/18 COMMENTS
		A 2017/18 and Future Years Budget £'000	B 2017/18 Budget £'000	C 2017/18 Actual as at 30/09/17 £'000	D 2017/18 Expenditure Remaining £'000	E Expenditure Rephased into 2018/19 £'000	F (C+D+E) 2017/18 Total Expenditure £'000	G (F-B) 2017/18 Variance from Budget £'000		
7243	Seaton Carew Car Parking Pay & Display Scheme	96	96	96	0	0	96	0	MIX	Capital expenditure relating to implementation of car parking charges at Seaton, including new pay and display machines, disc parking areas, business bays and residential controlled permit zones. Match funding from LTP will be used to fund works required as part of the additional changes required as a result of public consultations.
7504	Seaton - Coastal Communities Fund Scheme	1,123	1,123	88	1,035	0	1,123	0	GRANT	Works due to start 30th October, 2018.
7900	EA - Hartlepool Marina - North Pier Study	30	30	17	13	0	30	0	GRANT	Ongoing study anticipate spend to budget
7903	EA - Hartlepool Drainage Scheme Study	60	60	0	60	0	60	0	GRANT	Ongoing study anticipate spend to budget
8954	LGF - A689 Cycleway Phase 1	91	91	91	0	0	91	0	GRANT	Grant funded by TVCA/LTP
8955	LGF - Access to Oaksway	98	98	98	0	0	98	0	GRANT	Grant funded by TVCA/LTP
8957	Stranton Allotment Relocation	34	34	33	1	0	34	0	UDPB	Works completed.
8958	Elwick By-Pass Growing Places	597	597	34	563	0	597	0	UDPB	Relates to land purchase and survey work to be completed prior to construction in April 2018. Funded by a loan 'Growing Places' TVCA loan.
8965	TVCA Brenda Road Cycleways TV4	6	6	6	0	0	6	0	GRANT	Grant funded by Tees Valley Combined Authority.
8591	Coast Protection - Headland Town & Block Sands	2,387	1,887	790	1,097	0	1,887	0	MIX	Ongoing 5 year scheme to upgrade key coastal structures on the Headland Walls and Block Sands as per Council report 21st July 2014. At this stage anticipated spend to budget, completing in 18/19.
8444	Coast Protection - Town Wall Strengthening	46	46	0	0	0	0	(46)	GRANT	Scheme completed under budget. A request has been made to the Environment Agency to transfer the remaining grant to the Headland scheme above to reduce the HBC borrowing requirement.
8578	Coast Protection - South Management Unit Study	29	29	1	0	28	29	0	GRANT	Study covering North Gare breakwater rephased to 2018/19
Neighbourhoods Committee Sub Total		10,218	9,387	3,248	4,821	1,272	9,341	(46)		
Regeneration & Neighbourhoods Total		24,362	18,847	3,941	11,946	2,801	18,688	(159)		

Key			
RCCO	Revenue Contribution towards Capital	GRANT	Grant Funded
MIX	Combination of Funding Types	CAP REC	Capital Receipt
UCPB	Unsupported Corporate Prudential Borrowing	UDPB	Unsupported Departmental Prudential Borrowing

## CHIEF EXECUTIVES

## 6.2 APPENDIX J

### CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	Scheme Title	BUDGET		EXPENDITURE IN CURRENT YEAR					Type of Financing	2017/18 COMMENTS
		A	B	C	D	E	F	G		
		2017/18 and Future Years Budget £'000	2017/18 Budget £'000	2017/18 Actual as at 30/09/17 £'000	2017/18 Expenditure Remaining £'000	Expenditure Rephased into 2018/19 £'000	(C+D+E) 2017/18 Total Expenditure £'000	(F-B) 2017/18 Variance from Budget £'000		
<b>Finance &amp; Policy Committee</b>										
7091	City challenge Clawback	213	213	0	213	0	213	0	Grant	This funding has been allocated towards 2017/18 MTFS investment as approved by the Council on 23rd February 2017
7260	City Challenge Clawback - Burbank / Murray Street	83	83	0	83	0	83	0	RCCO	
7623	Corporate IT Projects	24	24	0	24	0	24	0	MIX	
8143	Tivoli Server	10	10	0	10	0	10	0	MIX	
8826	Civic Centre Remodel Reception Area	11	11	7	4	0	11	0	MIX	
8972	Print Room High Volume Colour Printer	37	37	0	37	0	37	0	UCPB	
	Point to Point Encryption	20	20	0	20	0	20	0	MIX	
	Corporate Projects	79	79	0	79	0	79	0	MIX	
<b>Chief Executives Total</b>		<b>477</b>	<b>477</b>	<b>7</b>	<b>470</b>	<b>0</b>	<b>477</b>	<b>0</b>		

#### Key

RCCO Revenue Contribution towards Capital  
MIX Combination of Funding Types  
UCPB Unsupported Corporate Prudential Borrowing  
SCE Supported Capital Expenditure (Revenue)

GRANT  
CAP REC  
UDPB  
SPB

Grant Funded  
Capital Receipt  
Unsupported Departmental Prudential Borrowing  
Supported Prudential Borrowing

## CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	Scheme Title	BUDGET		EXPENDITURE IN CURRENT YEAR					Type of Financing	2017/18 COMMENTS
		A	B	C	D	E	F	G		
		2017/18 and Future Years Budget £'000	2017/18 Budget £'000	2017/18 Actual as at 30/09/17 £'000	2017/18 Expenditure Remaining £'000	Expenditure Rephased into 2018/19 £'000	(C+D+E) 2017/18 Total Expenditure £'000	(F-B) 2017/18 Variance from Budget £'000		
Finance & Policy Committee										
7036	Unallocated Council Capital Fund (CCF)	97	97	0	97	0	97	0	UCPB	Funding to be allocated to schemes.
7036	Council Priorities	45	45	0	45	0	45	0	UCPB	Funding to be allocated to schemes.
7036	Unallocated Buidling Condition Fund	448	448	0	448	0	448	0	CORP	Funding to be allocated to schemes.Additional funding of £11k is required to fund the Carnegie Boiler replacement as per para 9.13 of the report.
New	Kitchen Works	103	103	0	103	0	103	0	RCCO	Scheme not yet started.
7036	Corporate Risk Strategy	393	393	0	393	0	393	0	UCPB	
7039	Hartlepool Art Gallery Accessibility Works	19	19	12	7	0	19	0	CORP	Scheme completed.
7041	Corporate Planned Maintenance Unallocated	43	43	0	43	0	43	0	MIX	Funding to be allocated to schemes.
NEW	CETL - Boiler Renewal	90	90	0	90	0	90	0	MIX	Scheme ongoing.
7087	Mill House Sports Hall Floor	13	13	0	13	0	13	0	RCCO	Scheme ongoing.
7098	8/9 Church Street Emergency Exits	7	7	0	7	0	7	0	CAP REC	Scheme ongoing.
7099	Millhouse - Dryside Changing Rooms	19	19	0	19	0	19	0	CAP REC	Scheme not yet started.
7100	Mill House Gas Pipe Renewal	5	5	1	0	4	5	0	CAP REC	Scheme completed.
7101	Aueurin Bevan House Accessibility Works	18	18	16	2	0	18	0	CORP	Scheme complete.
7101	Newburn Bridge - Pitched Roof Corrosion	33	33	3	30	0	33	0	CAP REC	Scheme not yet started.
7102	Newburn Bridge - Boundary Wall	2	2	0	2	0	2	0	CAP REC	Scheme complete.
7103	Newburn Bridge - Corroded Steel Lintels	25	25	1	0	24	25	0	CAP REC	Scheme complete.
7178	Mill House Pool Filter	23	23	0	23	0	23	0	RCCO	Scheme ongoing. Programme to be agreed with Client.
7200	Civic Centre Refurbishment	79	79	0	79	0	79	0	MIX	Survey work complete. Progressing to design stage.
7472	Victory Square Improvements	13	13	1	12	0	13	0	CAP REC	Scheme ongoing
7589	Centre for Excellence Training and Learning Replace Heating Controls	45	45	17	28	0	45	0	CORP	Scheme ongoing
7617	Borough Hall Lighting and Wiring	40	40	0	40	0	40	0	CORP	Scheme ongoing
7629	Millhouse - Replacement Pool Covers	20	20	0	20	0	20	0	CORP	Scheme not yet started.
7634	Borough Hall - External Redecoration	4	4	4	0	0	4	0	RCCO	Scheme complete.
7889	Sir William Gray Roof Repair	30	30	24	6	0	30	0	RCCO	Scheme complete.
7911	Sir William Gray CCTV	6	6	5	1	0	6	0	RCCO	Scheme complete.
7994	Mill House Electrical Distribution Board Replacement	25	25	7	18	0	25	0	CORP	Scheme ongoing
8051	Civic Centre Roof	54	54	41	13	0	54	0	CAP REC	Scheme ongoing
8055	Hartlepool Enterprise Centre Window Replacement	35	35	5	30	0	35	0	CAP REC	Scheme ongoing
8776	Town Hall Theatre Replace Stage Lighting Controls	50	50	50	0	0	50	0	RCCO	Scheme complete.
8798	Mill House Replace Chemical Dosing System	2	2	1	1	0	2	0	RCCO	Scheme ongoing
8866	Rossmere Youth Centre Roof Replacement	117	117	0	117	0	117	0	CORP	Scheme on hold.
8867	Borough Hall Structural Works	27	27	2	25	0	27	0	CORP	Scheme ongoing
8893	Town Hall Lighting and Distribution Board Replacement	18	18	0	18	0	18	0	CORP	Scheme ongoing.



## CAPITAL MONITORING REPORT PERIOD ENDING 30TH SEPTEMBER 2017

Project Code	Scheme Title	BUDGET		EXPENDITURE IN CURRENT YEAR					Type of Financing	2017/18 COMMENTS
		A 2017/18 and Future Years Budget £'000	B 2017/18 Budget £'000	C 2017/18 Actual as at 30/09/17 £'000	D 2017/18 Expenditure Remaining £'000	E Expenditure Rephased into 2018/19 £'000	F (C+D+E) 2017/18 Total Expenditure £'000	G (F-B) 2017/18 Variance from Budget £'000		
8894	Aueurin Bevan House Roof Replacement	91	91	6	0	85	91	0	CORP	Scheme complete.
8906	Rossmere Window Replacement	33	33	0	33	0	33	0		Scheme on hold.
8959	Civic Centre - Council Chamber Refurb	12	12	0	12	0	12	0	CORP	Scheme complete.
8961	Civic Centre External Doors	2	2	2	0	0	2	0	CAP REC	Scheme complete.
8967	Carlton Outdoor Centre Replace Hot Water System	13	13	0	13	0	13	0	CORP	Scheme ongoing.
8968	Borough Hall Dance Floor	8	8	0	8	0	8	0	RCCO	Scheme ongoing.
8970	Hartlepool Historic Quay Capital Works	321	321	10	201	110	321	0	CAP REC	Scheme ongoing.
9007	Indoor Bowls Centre Refurbishment	190	190	0	190	0	190	0	RCCO	Scheme on hold.
9024	Asbestos Re-Surveys	40	40	5	35	0	40	0	RCCO	Surveys complete. Final account to be agreed.
8068	CETL - Fire Alarm Renewal	55	55	0	55	0	55	0	CORP	Scheme ongoing
8061	CETL - Replace Roof	58	58	0	58	0	58	0	CORP	Scheme ongoing
7473	Victory Square War Memorial - Conservation Works	55	55	0	55	0	55	0	CORP	Scheme ongoing
8973	Headland Sports Centre - Boiler Renewal	50	50	0	50	0	50	0	CORP	Scheme ongoing
7503	Carnegie Building - Boiler Renewal	35	35	0	35	0	35	0	CORP	Additional funding of £11k is required as per para 9.13
7505	Carnegie Building - Roof & Internal Works	16	16	0	16	0	16	0	CORP	Scheme ongoing
7904	Sir William Gray House - Internal Refurb	16	16	0	16	0	16	0	CORP	Scheme ongoing
<b>Corporate Total</b>		<b>2,943</b>	<b>2,943</b>	<b>213</b>	<b>2,507</b>	<b>223</b>	<b>2,943</b>	<b>0</b>		

## Key

RCCO

MIX

Revenue Contribution towards Capital  
Combination of Funding Types

CAP REC  
UCPB

Capital Receipt  
Unsupported Departmental Prudential Borrowing

CORP

Corporate Resources

**SECTION 106 DEVELOPERS CONTRIBUTIONS as at 30th September, 2017**

	Cycleway £000	Bus Stop £000	Green Infrastructure £000	Housing ** £000	Maintenance £000	Play £000	Off Site Recreational *** £000	Public Art £000	Security Monitoring £000	Sports £000	Ecological Mitigation £000	Traffic Calming £000	Education £000	Restoration - Security Bond **** £000	Total £000
Balance as at 1st April, 2017	10.0	15.0	76.0	288.0	35.0	101.0	61.0	15.0	10.0	53.0	46.0	30.0	7.0	100.0	847.0
<b>Received in Year 17/18 (B)</b>															
Meadowcroft - Summerhill			3.5			3.5				3.5					10.5
<b>Total Income</b>	0.0	0.0	3.5	0.0	0.0	3.5	0.0	0.0	0.0	3.5	0.0	0.0	0.0	0.0	10.5
<b>Transferred to Schemes in 2017/18 (C)</b>															
Lynfield Playground						2.5									2.5
Brougham Playground						1.2									1.2
Burbank Playground			4.0			1.0									5.0
<b>Total Expenditure</b>	0.0	0.0	4.0	0.0	0.0	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.7
<b>Balance Remaining (A+B-C) 30th September, 2017 *</b>	<b>10.0</b>	<b>15.0</b>	<b>75.5</b>	<b>288.0</b>	<b>35.0</b>	<b>99.8</b>	<b>61.0</b>	<b>15.0</b>	<b>10.0</b>	<b>56.5</b>	<b>46.0</b>	<b>30.0</b>	<b>7.0</b>	<b>100.0</b>	<b>848.8</b>

\*Balances relate to amounts received and earmarked for purposes specified in developer agreements, but not yet transferred to a budget/scheme.

\*\* The Housing balance includes £240,000 received in relation to Wynyard which has been earmarked for future Housing development as set out in the HRA Business and Asset Management Plan reported to Finance & Policy Committee on 30th October, 2017.

\*\*\* To be used in vicinity of the Britmag site including but not limited to Central park

\*\*\*\* Held as security in case of any remedial action required during the operational life of the Wind Turbine.

# FINANCE AND POLICY COMMITTEE

22 November 2017



**Report of:** Chief Executive

**Subject:** COUNCIL PLAN 2017 - 2020  
- QUARTER 2 PERFORMANCE REPORT

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Non Key Decision

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to update Finance & Policy Committee of the progress made against the Council Plan 2017-2020 at the end of quarter 2 2017/18 and ask Members to agree to a number of changes/updates to the plan.

## 3. BACKGROUND

- 3.1 A new style Council Plan 2017-20 was agreed by Council in March 2017 setting out what we will do to achieve our ambitious vision for Hartlepool. Within the plan we have identified 6 strategic priorities that will most quickly accelerate delivery of our ambition and shape a sustainable financial future of the Council. These strategic priorities are underpinned by clear plans and commitments - our key deliverables. There are milestones for each of the key deliverables which along with our performance indicators will enable us to demonstrate our progress toward achieving our overall vision.
- 3.2 A review of the Corporate Performance Management Framework was undertaken earlier in the year with the aim of ensuring that key officer groups and committees of the Council were gaining adequate oversight and assurances of the performance of the organisation against its strategic priorities and to ensure that any remedial action could be taken in a timely manner.
- 3.3 The revised framework is now in place and quarter 2 is the second report to Members using this new approach to performance management at a corporate level. This report focuses on updating Members on the milestones and performance indicators that sit within the new Council Plan 2017-20.

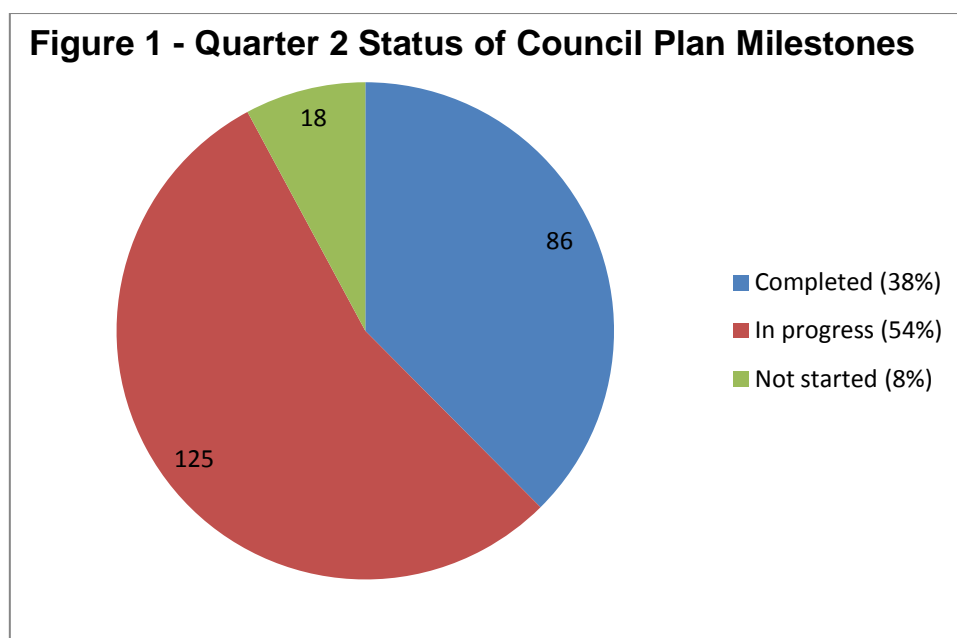
#### 4. QUARTER 2 - SUMMARY OF PROGRESS

4.1 The summary of progress at the end of quarter 2 2017/18 is included as **Appendix 1**. Members are requested to note the key achievements made this quarter as set out by strategic priority in the info-graphic on **page 1 of Appendix 1**.

#### 4.2 Milestones

The 6 strategic priorities within the Council Plan are underpinned by 45 key deliverables. A set of milestones (actions) have been identified for each key deliverable and in total there are 229 milestones in the plan.

4.3 At the end of quarter 2, the progress against the milestones within the Council Plan is set out in Figure 1 below:



#### 4.4 Milestones not completed by due date or will not be completed by their due date

Members are asked to note that of the milestones that are currently in progress, 37 have missed or will miss their due dates which represent 16% of all of the milestones in the plan. At quarter 2 it is not unexpected that there are a number of milestones that are off target and this is in the main, due to overly ambitious and unrealistic deadlines being set. It should be noted that the 37 missed milestones are contained within 17 key deliverables with a number of key deliverables having multiple missed milestones. This is because when a milestone date is changed at the beginning of a project there is an adverse effect on the remaining milestones meaning that their target due dates will no longer be achieved and date changes requested.

For example KD04 – Promote Hartlepool as a location for TV and Film production by summer 2018 had the first milestone as *Refurbish facility*

*including new cladding to exterior* but the bid funding has been delayed and this has had an adverse impact on the remaining four milestones for this key deliverable. This accounts for the higher number of missed or will be missed milestones this quarter.

This should improve as the year progresses. The milestones that have missed or will miss their due dates are set out in **pages 2 - 14 of Appendix 1**. Members are asked to review these and agree the proposed new due dates.

4.5 Members are also asked to agree the cancellation of one milestone:

CP 17/18 KD06-01 - *Undertake skills needs analysis on 100 companies to support the development of their workforce.*

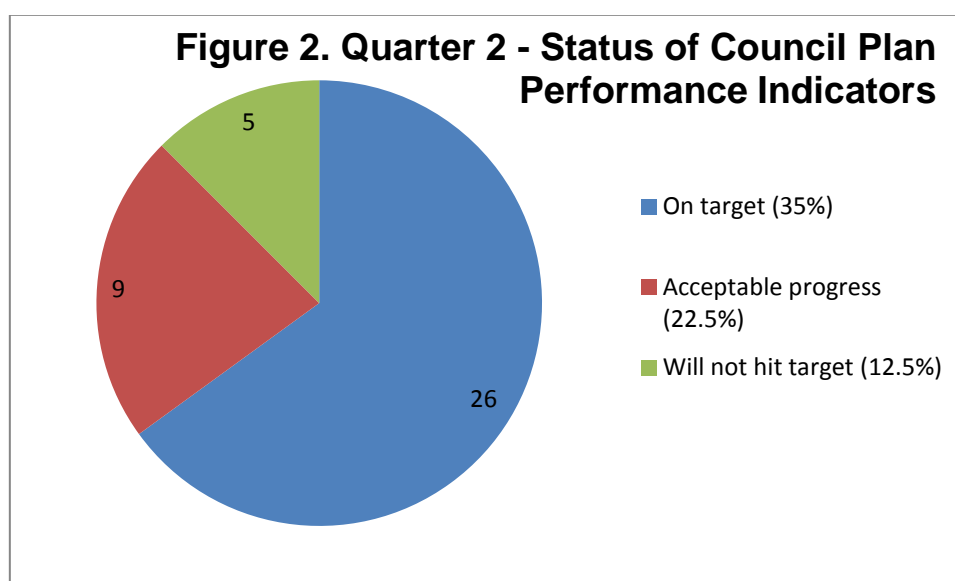
This milestone will not be progressed as planned due to Tees Valley Workforce skills program which this was part of not being extended as hoped. However, both Adult Education and Economic Regeneration continue to support and engage with local businesses.

#### 4.6 Performance Indicators

There are currently 74 performance indicators within the Council Plan. Since the Council Plan was agreed there have been amendments to a number of performance indicators including changes to collection frequency (from annual to quarterly), revised methodology for indicators and the amendment of targets. At the end of quarter 2:

- 51 have specific targets.
- 15 have directions of travel (increase, maintain or reduce).
- 8 are in their baseline year in 2017/18 and will have targets set for 2018/19 and beyond through the annual refresh.

4.7 At the end of quarter 2 data is available against targets for 40 performance indicators and current progress is set out in Figure 2 below:



**4.8 Performance Indicators – Areas for improvement**

Members are asked to note that of the performance indicators that have data available this quarter, 5 are identified as areas for improvement/will not hit target as set out on page **15 - 16 of Appendix 1**.

- 4.9 Members are also asked to agree the cancellation of one performance indicator as set out on page 16 of Appendix 1:

*RND P171 Number of Volunteer days/hours*

Following further investigation of this performance indicator it has been identified that it is not possible to collect accurate data in relation to this. Members are requested to note that the performance indicator *RND P170 Number of Hartlepool residents volunteering their time* will remain in the Council Plan and a target will be set following the 2017/18 baseline

**5. RISK IMPLICATIONS**

- 5.1 The Council Plan is monitored quarterly to enable early identification and reporting to Members of any emerging risks which might prevent delivery of the strategic priorities identified in the Council Plan.

**6. FINANCIAL CONSIDERATIONS**

- 6.1 No implications.

**7. LEGAL CONSIDERATIONS**

- 7.1 No implications.

**8. CHILD AND FAMILY POVERTY**

- 8.1 No implications.

**9. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 9.1 No implications.

**10. STAFF CONSIDERATIONS**

- 10.1 No implications.

## **11. ASSET MANAGEMENT CONSIDERATIONS**

11.1 No implications.

## **12. RECOMMENDATIONS**

12.1 Finance and policy Committee is asked to consider and agree:

- the overall progress made on the Council Plan 2017-20 at the end of Quarter 2 2017/18 as set out above and the key achievements as set out in the info-graphic on **page 1 of Appendix 1**;
- the notes provided on the 37 milestones that have missed or will miss their due dates, the proposed date changes and the proposed removal of 1 milestone as set out in **pages 2 - 14 of Appendix 1**;
- the notes provided on the 5 performance indicators that have been identified as areas for improvement and the proposed removal of 1 performance indicator as set out in **pages 15-16 of appendix 1**.

## **13. REASONS FOR RECOMMENDATIONS**

13.1 Finance and Policy Committee have overall responsibility for the monitoring of the Council Plan and has specific responsibility for a number of services that are included within the Council Plan.

## **14. BACKGROUND PAPERS**

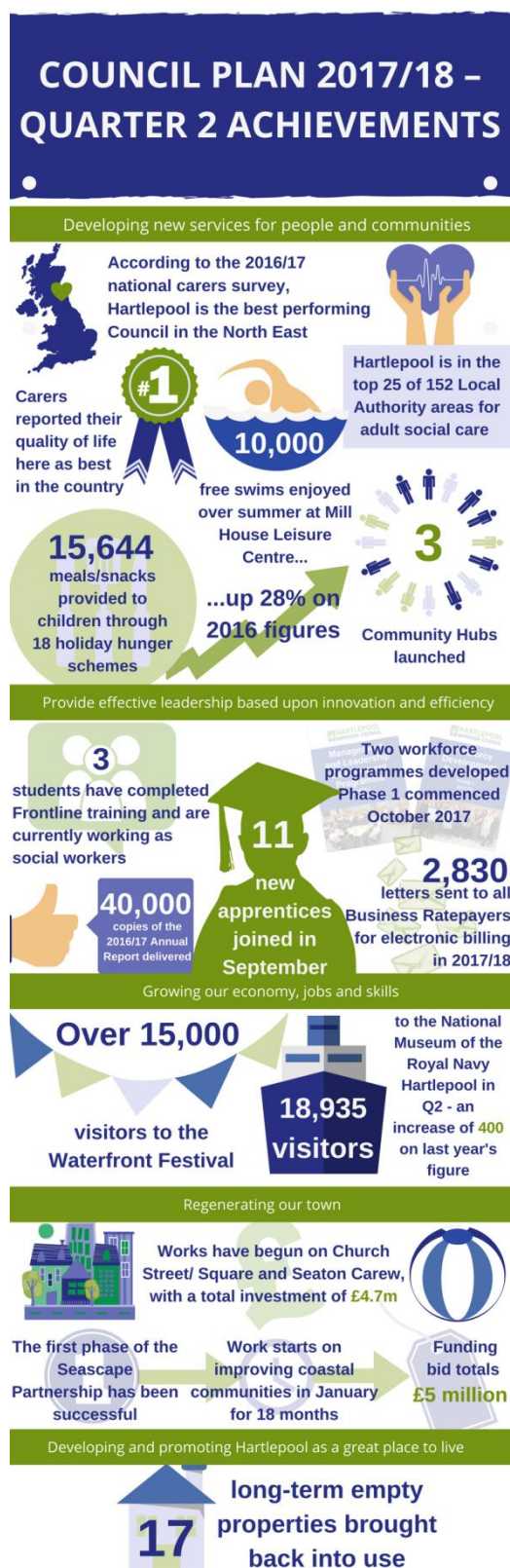
14.1 Council Plan 2017-2020 - as agreed in 16<sup>th</sup> March 2017 report to Council.

## **15. CONTACT OFFICER**

Claire McLaren  
Assistant Director – Corporate Services  
01429 523003  
[Claire.mclaren@hartlepool.gov.uk](mailto:Claire.mclaren@hartlepool.gov.uk)



## Overview of key achievements and positive performance made during Quarter 2 2017/18.







### Milestones not completed by due date or will not be completed by their due date.

The following 37 milestones within the Council Plan have not been completed by their initial due date or will not be completed by their due date and therefore new due dates are proposed.

STRATEGIC PRIORITY - Growing our economy, jobs and skills			
Key Deliverable - In partnership with public and private sector operators launch a new tourist marketing and promotion campaign 'Destination Hartlepool' supported by a coordinated events, exhibitions and festivals programme by 2017.			
Milestone	Due date	Proposed new due date	Note
Develop a Destination Hartlepool brochure	September 2017	N/A	Work continues to develop film and brochure, with an anticipated launch date expected toward the end of November.
Key Deliverable - In partnership with the National Museum of the Royal Navy (NMRN) establish a world class visitor attraction by 2019.			
Milestone	Due date	Proposed new due date	Note
Agree the strategic investment plan, involving key stakeholders for the NMRN within the wider context of the regeneration of the Waterfront	October 2017	N/A	As sent to F&P on 12th Sept 2017 - The strategic investment plans of the NMRN are being developed in conjunction with the Council. Tees Valley Combined Authority development funding application for the Waterfront has been successful.

<b>Key Deliverable - Open 'the Bis' in partnership with Cleveland College of Art and Design (CCAD) - a new world class managed workspace for emerging creative industries.</b>			
<b>Milestone</b>	<b>Due date</b>	<b>Proposed new due date</b>	<b>Note</b>
Recruit Centre Officer and start to put together business support framework with CCAD.	October 2017	December 2017	Funding agreed after Tees Valley Combined Authority due diligence process. Detail of post to be developed Nov/Dec 2017, with recruitment expected to take place by the end of the year.
<b>Key Deliverable - Promote Hartlepool as a location for TV and Film production by Summer 2018.</b>			
<b>Milestone</b>	<b>Due date</b>	<b>Proposed new due date</b>	<b>Note</b>
Refurbish facility including new cladding to exterior	December 2017	December 2019	Development funding from the Tees Valley Combined Authority (TVCA) for the development of designs has been agreed and we are awaiting a formal offer letter, which is expected to be provided by Mid October. A bid for funding to start work on site will need to be submitted to TVCA during 2018 with the outcome not expected until toward the end of that year. Subject to a successful application it is anticipated that works on site could be completed by the end of 2019.
Pilot the CCAD facilities to the market before launch to test the feasibility of the business.	October 2017	March 2018	Development funding has been agreed by TVCA and awaiting offer letter. A business development post has been identified which will include the marketing of this facility within its duties. It is expected that an appointment to this post will be made by January 2018.

Secure funding for film and TV production studio	August 2017	December 2018	Development funding has been agreed by TVCA awaiting offer letter. The identified works for the development funding will allow submission of outline business case to secure funding from TVCA.
Launch event	May 2018	June 2019	Development funding has been agreed by TVCA awaiting offer letter. The identified works for the development funding will allow submission of outline business case to secure funding from TVCA before any launch event can take place. Once facility has been developed then it is likely that a launch event will take place around mid 2019.
<b>Key deliverable - Work with key learning providers and employers to deliver a new approach to targeting learning, skills and employment pathways for unemployed adults and parents.</b>			
<b>Milestone</b>	<b>Due date</b>	<b>Proposed new due date</b>	<b>Note</b>
Undertake skills needs analysis on 100 companies to support the development of their workforce	March 2018	PROPOSE TO CANCEL	Note to F&P Com 12/9/17 - This action will not be progressed as planned due to Tees Valley Workforce skills program which this was part of not being extended as hoped. However both Adult Education and Economic Regeneration continue to support & engage with Local Business.

<b>STRATEGIC PRIORITY – Regenerating our town.</b>			
<b>Key Deliverable - Complete Church Street by December 2017 and Church Square by April 2018 to coincide with the completion of the new CCAD campus</b>			
<b>Milestone</b>	<b>Due date</b>	<b>Proposed new due date</b>	<b>Note</b>
Completion of Public realm works in Church Street	December 2017	May 2018	Contractor appointed and due to start on site for end of October to be agreed. Anticipated completion of works May 2018.
Submit funding applications for redeveloping the interior of Hartlepool Art Gallery	February 2018	June 2018	Initial bid to Wolfson Trust unsuccessful, new bid using agreed designs to be submitted to DCMS Wolfson in Nov 17, with further bids to Clore foundations, Arts Council and Heritage Lottery Fund to follow in new year.
<b>Key Deliverable - Complete a master plan for the Raby Road corridor and Mill House area and deliver investment in new sport and leisure facilities by 2019/20</b>			
<b>Milestone</b>	<b>Due date</b>	<b>Proposed new due date</b>	<b>Note</b>
Secure Committee agreement for a preferred option to invest in sport and leisure built facilities	June 2017	December 2017	During Q2 of 17/18 we have continued to progress the work with partners and stakeholders. The overall project is on track at this current time however, this action requires slipping to 31/12/17 due to delays in working with key stakeholder.
Develop a design and prepare tender documentation	September 2017	January 2018	This part of the project has still not yet started as it is dependent on outcome of the initial work to develop a master plan. The action requires slipping to 31/01/2018 due to delays in working with key stakeholders.

Submit bid to Sport England	December 2017	March 2018	Although no formal bid has yet been written or submitted, we have had informal discussions with Sport England about the level of financial support that might be available. Requires slipping to 31/03/2018 due to delays in working with key stakeholders
Adopt Masterplan	December 2017	December 2018	Post the completion of the OPE exercise officers will then progress developing a masterplan for the site by 31 <sup>st</sup> December 2018.
Funding bid outcome	March 2018	June 2018	This part of the project has not yet started as it is dependent on outcome of the initial work to develop a master plan, tender documents and bid to Sport England. The due date will require slipping to 30/06/2018 due to delays in working with key stakeholders.

**STRATEGIC PRIORITY – Developing and Promoting Hartlepool as a great place to live.**
**Key Deliverable - Facilitate the sustainable development of Hartlepool through the adoption of the Local Plan by 2018**

Milestone	Due date	Proposed new due date	Note
Planning Inspector publishes report on whether the Local Plan is sound and Legally compliant	October 2017	January 2018	As reported previously the Hearing sessions into the Local Plan are due to commence on the 26th September and run for three weeks to Thursday the 12th October. The Inspectors report will only be formally issued once the LPA has consulted on the main modifications considered necessary by the inspector to make the plan sound and legally compliant and the inspector has had opportunity to consider representations on these. Given the likely need for consultation it is likely that an inspectors report would not be formally issued until December at the earliest and more likely into January 2018.

Local Plan is amended when considering minor modifications advocated by the Planning Inspector	November 2017	January 2018	The Inspectors report will only be formally issued once the LPA has consulted on the main modifications considered necessary by the inspector to make the plan sound and legally compliant and the inspector has had opportunity to consider representations on these. The local authority will have to update the plan to make these changes in order to make the Plan sound and legally compliant. Given the likely need for consultation the proposed due date for this action has been amended to be January 2018.
Adopt the Local Plan at Council	February 2018	March 2018	Once the plan is amended with any modifications required to make it sound there will be a report taken to full Council seeking permission to adopt the Local Plan. Given the need for consultation on any modifications proposed by the inspector it is unlikely the report will be received before the end of January and as such Adoption of the Local Plan is unlikely prior to the end of March 2018.
<b>Key Deliverable - Launch new joined up approach to enforcement and community safety.</b>			
<b>Milestone</b>	<b>Due date</b>	<b>Proposed new due date</b>	<b>Note</b>
Implementation of Phase 1 of new model completed	October 2017	January 2018	A report will be provided to Finance and Policy Committee in October 2017 and following committee decision implementation will commence with completion anticipated February 2018.
Implementation of Phase 2 of new model completed	January 2018	January 2019	Phase 2 of the new model to be discussed at project group in February 2018. A report will go to a subsequent committee meeting with implementation expected before the end of 2018.

Key Deliverable - Implement a Clean and Green Strategy and reduce demand on Council resources			
Milestone	Due date	Proposed new due date	Note
Obtain committee approval for an education and awareness programme in relation to recycling	September 2017	January 2018	A report is to be provided to Committee in January 2018 highlighting the work done as part of a pilot scheme, along with recommendations for future campaigns.
Introduce an awards scheme to recognise and reward the Clean and Green volunteering efforts of schools and community groups	October 2017	February 2018	An update to be provided in January as part of the Clean and Green strategy.

STRATEGIC PRIORITY – Developing new services for people and communities			
Key deliverable - Launch a co-ordinated approach to engaging citizens in becoming actively involved in meeting local needs and shaping the future of their communities			
Milestone	Due date	Proposed new due date	Note
Launch new Community Engagement and Cohesion Strategy	October 2017	March 2018	A first draft of the Community and Engagement Strategy was presented to F&P in September and will be presented to the Safer Hartlepool Partnership in October 2017, with the final version launched by March 2018.

Key deliverable - Implement a new approach to supporting the development of the community and voluntary sector by 2017			
Milestone	Due date	Proposed new due date	Note
Delivery model for securing a strong voluntary and community sector infrastructure agreed by Council	October 2017	February 2018	Voluntary and Community Sector model will be reported to committee for agreement.
Key deliverable - Implement the new model for encouraging and supporting healthy lifestyles by 2018			
Milestone	Due date	Proposed new due date	Note
Review the model of delivery for NHS Health Checks	August 2017	December 2017	The Review was completed by the end of September 2017 and will be reviewed by the 4 Directors of Public Health by the end of October 2017 to inform commissioning intentions for 2018/19. This is due to be completed by 31/12/2017.
Redesign the health improvement offer into community hubs	September 2017	December 2017	Health Trainers are now present in all 3 Hubs as Community Hub Advisors and the Stop Smoking Services are being delivered from the Hubs. Once the review of NHS Health Checks has been finalised we will be able to reshape the offer of community health checks in the Hubs. This is due to be completed by 31/12/2017



Key deliverable - Widen participation in sport and leisure activities by April 2018			
Milestone	Due date	Proposed new due date	Note
Complete the indoor sports strategy to ensure planning and investment in services reflects need	October 2017	January 2018	The Playing Pitch Strategy and Indoor Facilities Strategy have been slightly delayed due to the difficulty in engaging stakeholders like schools and colleges over the summer period. There is a meeting at the end of October to finalise the Draft Strategy and it is hoped it will go to CMT by the end of November and then onto Committees in December.
Work with sporting bodies and associations to increase the range and quality of activities on offer	October 2017	January 2018	The Playing Pitch Strategy and the Indoor Facilities Strategy have been commissioned from a specialist company and they are advanced in the work they are doing. We anticipate having a final draft by the end of October 2017 for consultation during November 2017 and the final Strategy will be ready to go to Committee in December 2017 or early 2018 as planned. Once the Strategy is agreed we can work with appropriate sporting bodies and associations, many of whom are involved in the consultation process.

<b>STRATEGIC PRIORITY – Building better beginnings and better futures for our children and young people</b>			
<b>Key deliverable - Hartlepool is recognised as a learning town with every school good or outstanding by 2019</b>			
<b>Milestone</b>	<b>Due date</b>	<b>Proposed new due date</b>	<b>Note</b>
Deliver an early language and early talk training offer for parents, carers and professionals working with children	September 2017	September 2019	All Hartlepool primary schools and one PVI setting have signed up to the project. 2 days training for Early Years practitioners has been developed and day 1 has been delivered to the majority of staff with a 'sweep up' in autumn term. Day 2 has started and will be completed in spring. Materials have been developed to support parents and are being launched through schools and children's centres week beginning 16th October. Training for wider professionals is being developed in autumn term and roll out is planned for the spring term.
Launch a programme of careers education, information and guidance for children and young people from 5- to 16-years-of-age	September 2017	N/A	Discussions were held at the last HYIP monitoring group around reshaping the focus of this group once the HYIP is complete. It was agreed to revisit the terms of reference of the group. Extending the age range scope of the group was felt to be the right way forward.

Key deliverable - Launch a new centre for excellence in technical education in creative industries at Northern Lights Academy by September 2017			
Milestone	Due date	Proposed new due date	Note
Staff recruited and curriculum offer secured with lead educational delivery partner	July 2017	N/A	Centre opened to students in September as promised with curriculum offer for Key Stage 4 and Saturday Club. Directory of potential providers continue to grow as individuals and organisations express an interest in the new Centre. Funding request submitted to TVCA in September - awaiting outcome from Board meeting in October (this month). Following this recruitment of key staff can progress rapidly. This, in turn, will stimulate further growth in the curriculum offer for year two of operation. First meeting of the Coordination Group (effectively the local governance group for the Centre) will occur this term, on schedule.
Launch event to commence delivery.	September 2017	N/A	Formal launch event will place later in the academic year. Date to be decided by Coordination Group (effectively the local governance group of the Centre). There will be a Ward Member event, supported by Members serving the De Bruce ward, this term. Task and finish group for this event will meet in October to plan the shape and delivery of this event.
Key deliverable - Establish a youth foundation to coordinate investment in and deliver youth provision within neighbourhoods by 2019			
Milestone	Due date	Proposed new due date	Note
Development and implementation of fundraising plan.	September 2017	N/A	Member of staff recruited and fundraising plan being developed

Key deliverable - Implement improvements in the way organisations work together to protect and safeguard children at risk of harm by 2018			
Milestone	Due date	Proposed new due date	Note
Establish multi agency audit process within the Local Safeguarding Children Board (LSCB) that informs learning	September 2017	N/A	First audit has taken place. New HSCB manager in post has reviewed current programme and a further three audits have been scheduled. Learning and Improvement Framework has been reviewed and amended and will be presented to HSCB sub group in November 2017.
Key deliverable - Implement improvements to the support provided to children with special educational needs and disabilities by 2018			
Milestone	Due date	Proposed new due date	Note
Collaborate with Tees Valley Local Authorities on establishment of a free special school	August 2017	N/A	DfE bid unsuccessful. Reviewing other SEND capital options to see what options are available through Schools Forum
Key deliverable - Establish a new high quality alternative education provision for children and young people who don't access full time mainstream education			
Milestone	Due date	Proposed new due date	Note
Establish a reviewed vision and business model for the role of the Pupil Referral Unit (PRU) in an alternative delivery model for children experiencing difficulties in accessing a mainstream curriculum	September 2017	N/A	The PRU head teacher has presented a visioning document but it is under developed and inadequate. Also there has been a review of commissioned places at the PRU which recommends that the places be reduced from 24 to 12, as such the funding for the PRU will be reduced. There are also concerns over the under performance of the pupils attending the PRU as well as the attendance of these pupils.

<b>STRATEGIC PRIORITY – Providing effective leadership based upon innovation and efficiency</b>			
<b>Key deliverable - Introduce a new workforce and leadership and management development programme to unlock the potential of our staff to play a key role in finding alternative ways of delivering efficiencies and increasing income</b>			
<b>Milestone</b>	<b>Due date</b>	<b>Proposed new due date</b>	<b>Note</b>
Agree new formal appraisal process for Council employees	September 2017	February 2018	The new appraisal process will need to be in place by February for inclusion in both the workforce and leadership & management development programme therefore, a first draft will be considered by CMT in November and the Organisational Excellence Manager's Forum in December. The aim is to launch and implement the new process in February 2018.

**2017/18 Quarter 2 – Performance Indicators - Areas for Improvement**

Performance Measure	Q2 Actual	Annual Target	Latest Note
NI 192 Percentage of household waste sent for reuse, recycling and composting	No data available	40.00%	<p>The amount of fibrous material (mixed paper and cardboard) recovery has improved over quarter 1 at 36.2%. This may be attributable to efforts being made to ensure that it is kept as dry as possible prior to entry into the MRF, i.e. now tip into a new waste transfer facility at Burn Road. This has enabled Palm Recycling to directly sort the cleaner material and obtain higher recovery rates.</p> <p>Q2 information will not be available for this indicator until toward the end of Quarter 3.</p>
PHD P101 Number of people using leisure services	90,776	92,632	<p>Mill House Leisure Centre quarter 2 59,085 visits  Headland Sports Hall quarter 2 6,100 visits  Brierton Sports Centre 25,591 visits  Total for quarter 2 90,776 visits</p> <p>Note - Visits are 1856 down on target, however new promotions are planned for quarter 3 which should start to increase attendances across the service area</p>
CSD P035(i) Rate of children who are the subject of a Child Protection plan, per 10,000 population	89.5	59.6	Continue to monitor this to understand trends. Have agreed to implement Signs of Safety as a framework for CP work.
CSD P066 Number of children defined as a Child in Need, rate per 10,000 population under 18	519.6	441.5	Continue to monitor the numbers and have agreed to implement signs of safety as an approach to working with children and families.

Performance Measure	Q2 Actual	Annual Target	Latest Note
CSD P157 Rate of Looked After Children per 10,000 population	134.7	113.5	The number continues to increase. A review is ongoing to be presented to CMT on the reasons and forecasting.

**2017/18 Quarter 2 – Performance Indicator – Propose to remove**

Performance Measure	Q2 Actual	Annual Target	Latest Note
RND P171 Number of Volunteer days/hours	No data available	Not set – 2017/18 Baseline Year	Following further investigation of this performance indicator it has been identified that it is not possible to collect accurate data in relation to this. Members are requested to note that the performance indicator <i>RND P170 Number of Hartlepool residents volunteering their time</i> will remain in the Council Plan and a target will be set following the 2017/18 baseline year.

# FINANCE AND POLICY COMMITTEE

22 November 2017



**Report of:** Director of Children's and Joint Commissioning Services

**Subject:** 'FILLING THE HOLIDAY GAP' SCHEME 2017

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## 1. TYPE OF DECISION / APPLICABLE CATEGORY

For decision, non-key.

## 2. PURPOSE OF REPORT

- 2.1 To provide Members with the key outcomes from the 2017 'Filling the Holiday Gap' (Holiday Hunger) community grant scheme, delivered over the 6-week school summer holidays.
- 2.2 Based on the early findings from the monitoring and evaluation process, the report sets out some future proposals and next steps, if Members feel that a similar scheme should be funded over Christmas, Easter and summer 2018.

## 3. BACKGROUND

- 3.1 A report was presented to Finance and Policy Committee on 10<sup>th</sup> February 2017 highlighting the key outcomes and proposed next steps following the pilot 'Holiday Hunger' scheme in summer 2016. The report outlined options for Members to consider in relation to delivery of a future programme in 2017 and recommended allocating additional resources to the successful 'ring-fenced community reserve' grant scheme for local CVS organisations.
- 3.2 Committee approved the recommendations as outlined in the report and it was agreed that £42,000 would be allocated to the community ring-fenced reserve for summer 2017, with revised criteria below:
  - Statutory-sector services/projects could also bid for funds to deliver a holiday hunger initiative, as well as Voluntary and Community-sector organisations;



- Use of the fund is targeted towards organisations that are supporting children and young people through the provision of healthy meals and snacks alongside physical activity opportunities, during the school summer holidays;
- That the limit per organisation bidding be £3,000, however there would be flexibility for larger-scale projects which are truly innovative and demonstrate excellent partnership working and innovation, however bids should equate to no more than £3 per meal per child;
- Staff and equipment/materials costs must not total more than 25% of the overall funding bid.

3.3 The key outcomes from the 2017 scheme are summarised below and the proposals and next steps arising from the report are summarised in section 5.

#### 4. KEY OUTCOMES

4.1 The community ring-fenced resource supported 18 individual summer activity schemes in total, through the provision of healthy meals and snacks. The table below shows the allocation of funds to each project. The grants panel agreed that £3,100 from any underspend could be allocated towards the provision of healthy cooking skills training to enhance the project and build local capacity:

Organisation	Funds received	Total amount spent
Asylum Seeker and Refugee Group	£400.00	£400.00
Be Crafty BCT	£3,000.00	£3,000.00
Belle Vue Community & Sports Centre	£2,040.00	£2,040.00
Changing Futures North East	£850.00	£850.00
Grange Primary School	£1,200.00	£1,104.12
Harbour Support Services	£450.00	£450.00
Hartlepool Action Recovery Team	£2,280.00	£2,280.00
Hartlepool Carers	£470.00	£470.00
Hartlepool United Community Sports Foundation	£2,700.00	£2,700.00
Hartlepool Youth Service	£2,360.00	£1,804.73
Kilmarnock Road Family Resource Centre	£4,060.00	£3,966.34
OFCA	£1,560.00	£1,560.00
Positive Parenting Group	£2,213.12	£2,213.12
Rifty Youth Project	£3,670.00	£3,670.00
Salaam Community Centre	£3,000.00	£3,000.00
St Aidan's and St Columba's Church	£500.00	£500.00
West View Project	£2,913.75	£2,913.75
Wharton Trust	£1,400.00	£1,400.00
Children's Food Trust (cooking skills training)	£3,100.00	£3,100.00
<b>TOTAL</b>	<b>£38,166.87</b>	<b>£37,422.06</b>
<b>Funds remaining</b>		<b>£4,577.94</b>

- 4.2 The following table highlights the number of children and parents engaged in each initiative and the total number of meals and snacks provided over the duration of each project. Due to the range of approaches taken by each organisation, with some sessions being targeted and others universal, comparisons between each project cannot be made however further outcomes will be presented within the full evaluation report:

Organisation	Total number of sessions delivered	Number of individual children benefiting from the project	Number of individual parents attending sessions	Total number of meals / snacks provided
Asylum Seeker and Refugee Group	4	31	19	212
Be Crafty BCT	30	70	0	795
Belle Vue Community & Sports Centre	62	537	0	962
Changing Futures North East	23	369	19	1,102
Grange Primary School	6	37	15	360
Harbour Outreach	6	84	6	168
Hartlepool Action Recovery Team	20	38	16	1161
Hartlepool Carers	9	48	0	188
Hartlepool United CSF	28	202	0	808
Hartlepool Youth Service	37	135	0	370
Kilmarnock Road Family Resource Centre	29	569	19	824
OFCA	12	39	6	377
Positive Parenting Group	28	888	25	3,173
Rifty Youth Project	32	422	137	2,460
Salaam Community Centre	24	72	15	2,160
St Aidan's and St Columba's Church	4	225	80	450
West View Project	39	1,270	0	2,034
Wharton Trust	30	75	51	500
<b>TOTAL</b>	<b>391</b>	<b>4,689</b>	<b>271</b>	<b>15,644</b>

- 4.3 This represents an increase in the number of individual children benefiting from the schemes from 2,689 in 2016 to at least 5,111 in 2017.
- 4.4 A total of 19 staff from 11 different organisations attended the one-day cooking skills training delivered by the Children's Food Trust. The training involved food safety and hygiene, cooking skills and preparation of several healthy recipes. Each organisation attending also received £100 shopping vouchers from the Children's Food Trust to purchase additional equipment to deliver ongoing cookery skills workshops within their communities and this will be monitored moving forward to gauge impact.
- 4.5 A full evaluation report of the 2017 'Filling the Holiday Gap Scheme' will be published shortly and made available to Members.

## 5. PROPOSALS

- 5.1 As part of the evaluation and monitoring process, organisations were asked if they would be interested in delivering a similar scheme during significant holiday periods such as Christmas and Easter – all organisations indicated that they would consider this if additional funding was made available.
- 5.2 Some groups already provide Christmas activities but this is limited by staff capacity and resources, so additional funding could enable better support to be provided to a greater number of residents.
- 5.3 If all 18 organisations were given pro-rata funding to cover the 2-week Christmas holidays, this would amount to a maximum of £14,000. With circa £4,500 underspend from the summer budget, this equates to approximately £10,000 required from the Child and Family Poverty reserve.
- 5.4 It is therefore proposed that members agree to allocate a further £14,500 towards a Christmas 2017 'Filling the Holiday Gap' scheme, with any further underspend being utilised to support an Easter scheme at the end of the 2017/18 financial year.
- 5.5 It is also proposed that Members agree to allocate the remaining £9,000 to support the Hartlepool Foodbank over the Christmas/January 2018 period.

## 6. RISK IMPLICATIONS

- 6.1 There is a risk that without a (targeted) holiday provision scheme, health inequalities in the town may widen. Families normally entitled to free school meals in the most deprived areas of Hartlepool may become malnourished over the school holiday period, often resorting to very poor quality food high in fat, salt and sugar, which contributes to poor nutritional outcomes and rising obesity levels. Children who are malnourished over the school holidays have also been shown to be unprepared for returning to the educational environment compared to their peers<sup>1</sup>.

## 7. FINANCIAL CONSIDERATIONS

- 7.1 There will be an additional financial commitment of £10,000 required if Members choose to approve the proposed extension of the ringfenced community grant scheme for Christmas 2017.
- 7.2 Non-recurring funding of £500,000 has previously been earmarked for Child and Family Poverty initiatives and the table below shows commitments against this funding:

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<sup>1</sup> A Lost Education: The reality of hunger in the classroom (Kellogg's/YouGov, 2013)

	£'000
<b>Funding Available</b>	500
16/17 Financial Support & Advice Service	(110)
Holiday Hunger Fund	(25)
Holiday Hunger Food Parcels inc Transport	(14)
Underspend from Holiday Hunger Fund	4
Hartlepool Foodbank Contribution (Council 15/12/16)	(10)
<b>Balance Remaining 31/03/17</b>	<b>345</b>
less Summer 17 Proposals (F&P 10.02.17)	(42)
Underspend from Summer 17	4.5
less 17/18 Commitments for Financial Support & Advice Service	(110)
less 18/19 Commitments for Financial Support & Advice Service	(110)
F&P 18.09.17 - 18/19 Youth Contracts 6 mth extension	(64)
<b>Uncommitted Balance</b>	<b>23.5</b>

7.3 Committing the following amounts fully uses the remaining balance of the Earmarked Child and Family Poverty Initiatives Reserve:-

- £14,500 for Christmas 2017 Filling the Holiday Gap scheme;
- £9,000 for Hartlepool Foodbank over the Christmas/January 2018 support.

7.4 As agreed at the Joint Finance & Policy and Children's Services Committee meeting on 12<sup>th</sup> June 2017 additional funding for the Family Poverty Reserve may be available depending on the outcome of the submission to the Tees Valley Combined Authority for funding towards the Northern Lights Academy. If successful, then all/part of the £136k Trading Standards fine income will not be needed for that project and will be transferred across to the Family Poverty Reserve.

## 8. LEGAL CONSIDERATIONS

8.1 There are no legal considerations arising from this report.

## 9. CONSULTATION

9.1 Each of the participating organisations was consulted on future proposals as part of the evaluation and monitoring process. 17 of the 18 organisations have submitted returns and all have indicated they would be interested in

running similar schemes in future holiday periods if additional funding and support was made available.

## **10. CHILD AND FAMILY POVERTY**

- 10.1 Previously completed as part of pilot scheme – no changes required.

## **11. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 11.1 Poverty can affect anyone however research shows us that specific groups of people are more susceptible than others. Their needs must therefore be considered. Groups at risk include:

- Young working age people 18-25
- Lone parents
- Large families
- Children born into families in poverty
- Those who are disabled and/ or suffer from illness (including mental illness)
- Those with low educational attainment
- Those who are unemployed
- Those who find difficulty in managing their finances
- Those from minority ethnic backgrounds

## **12. STAFF CONSIDERATIONS**

- 12.1 The proposals and recommendations have been made in order to minimise the impact on staff time to coordinate the scheme.

## **13. ASSET MANAGEMENT CONSIDERATIONS**

- 13.1 There are no asset management considerations arising from this report.

## **14. RECOMMENDATIONS**

- 14.1 That Members note the findings of the report and support the proposals above for future delivery of a holiday provision scheme.
- 14.2 It is proposed that Members agree to provide another ring fenced non-recurrent community resource for Christmas 2017 through the Child and Family Poverty Reserve. It is recommended that another £10K is made available, plus the £4.5K underspend from the summer 2017 budget.
- 14.3 It is proposed that Members agree to provide £9,000 for Hartlepool Foodbank over the Christmas/January 2018 support.

## **15. REASONS FOR RECOMMENDATIONS**

- 15.1 Holiday hunger is a key priority within the Hartlepool Child and Family Poverty Strategy and poverty in general remains a significant issue in Hartlepool.
- 15.2 Authority to develop and approve a strategy for using the Family Poverty Reserve was delegated to Finance and Policy Committee by Council on 10<sup>th</sup> December 2015.

## **16. BACKGROUND PAPERS**

A full evaluation report of the scheme will be published once all data is collected and analysed.

## **17. CONTACT OFFICERS**

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# FINANCE AND POLICY COMMITTEE

22 November 2017



**Report of:** Director of Children and Joint Commissioning Services

**Subject:** CHILD AND FAMILY POVERTY – UPDATE

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

For information only

## 2. PURPOSE OF REPORT

- 2.1 To update members on the national position regarding child poverty.
- 2.2 To update members on local progress to tackle child and family poverty in Hartlepool.

## 3. BACKGROUND

- 3.1 The Child Poverty Act 2010 was repealed and replaced (to some degree) with The Welfare Reform and Work Act 2016.
- 3.2 It was the government's intention to create a 'Life Chances Act' which would remove the current measurement of child poverty (children living in families where household income is 60% below median income) and replace it with "worklessness and levels of educational attainment", however this has since been abandoned.
- 3.3 Under the Welfare Reform Act 2016 the government is required to report to Parliament on the number of children living in workless households and educational outcomes at GCSE level. There is no requirement for the government to produce a Child Poverty Strategy.
- 3.4 The Child Poverty Commission (tasked with providing expert advice to government) has since been changed to the Social Mobility Commission.
- 3.5 'Time For Change: An Assessment of Government Policies on Social Mobility 1997-2017' published in June 2017 reflects on two decades of effort by successive governments to tackle poverty, acknowledging that whilst the

policies of the past have brought some progress many are not fit for purpose in our changing world.<sup>i</sup>

- 3.6 There are currently no legal duties for the local authority to prepare or publish a child poverty strategy, needs assessment or plan.

#### 4. CURRENT CHILD POVERTY POSITION

- 4.1 The 'poverty line' is defined as 60% of the median income. In the UK, median income for a couple with two children is £623 per week. 60% of that is £374 a week. Families with less than £374 per week are therefore classed as living in poverty. This is total income and not disposable income and covers the cost of housing, bills, clothing, food and so on.
- 4.2 Approximately 21% of children in the UK (or 2.8 million) are now classed as living in poverty, two thirds of whom are from working families. Ongoing planned changes to welfare and benefits are predicted to impact further on the numbers of children affected<sup>ii</sup>.
- 4.3 While many families living in poverty are 'workless' around 62% of children living in poverty live in a household where at least one parent works.
- 4.4 In the North East there are approximately 132,000 children living in poverty and this equates to around 24% across the region. In Middlesbrough, Hartlepool and Newcastle this figure rises with some of the highest levels of poverty outside of London.
- 4.5 Estimated levels of Child Poverty as classified by the government<sup>iii</sup>

Local Authority	2012	2013	2015
Middlesbrough	40%	35%	37%
Hartlepool	33%	31%	32%
Redcar and Cleveland	29%	28%	30%
Stockton on Tees	26%	25%	26%
Darlington	24%	25%	26%

- 4.6 Children in workless households<sup>iv</sup>

Local Authority	Children in workless households
Middlesbrough	24.39%
Hartlepool	21.24%
Stockton on Tees	20.72%
Redcar and Cleveland	19.70%
Darlington	13.01%



## 5. CURRENT ACTION AGAINST POVERTY

**5.1 Regional approach** – The Head of Service for The Children’s Hub and Partnerships continues to be an active member of the North East Child Poverty Commission and their Child Poverty Network. This multi agency group meets bi-monthly to share updates and good practice in tackling poverty issues. Funding bids have been submitted for regional approaches to tackling poverty and some local authorities within the group have been successful in securing funding. Keynote speakers attend regularly offering advice and guidance. Supported by Durham University this group continues to strive for ‘every child to have an equal chance in life’. More about the commission and its work can be found at <http://www.nechildpoverty.org.uk>.

## 5.2 Local approach

**5.2.1 Hartlepool Borough Council** – the council remains committed to ensuring every child has a good start in life and is supported to enjoy and achieve. This includes developing the competencies and capabilities to live a fulfilled life and make a positive contribution to their community. The Child and Family Poverty Strategy 2016 - 2020 agreed by members in October 2016 proposed the following areas of work and these remain the focus of our efforts to reduce poverty:

- Mitigating the impact of poverty on children and families
- Building pathways out of poverty for children and young people
- Creating new opportunities for adults to reduce child and family poverty
- Ensuring no child goes hungry during the school holidays.

It is impossible to list every action that the local authority is taking to tackle poverty however a summary update can be found in Appendix A’s action plan. Key points of actions of note are -

- Discretionary Housing Payments – on average 300 applications are received each quarter with approximately 50% supported with funding toward shortfall in rent, help with removal costs and support to tackle rent arrears;
- Local Welfare Support – on average 700 requests each quarter for day to day crisis support with 41% offered help via food and clothing vouchers and energy top ups;
- Foodbank referrals – on average 45 referrals a week to Trussell Trust foodbank for individuals and families that are at risk of going hungry; the majority of those referred are suffering benefit sanctions and delays;
- School uniform recycling – good quality used uniform continues to be donated and distributed across the town and is now available in Children’s Centres and some community venues; ‘new’ uniform is purchased for eligible children;
- Benefit maximisation is offered to all residents that make contact with the council via Customer Services, The Children’s Hub and the Revenue and Benefits teams;

- Free childcare for eligible 2, 3 and 4 year olds to enable parents to take up training and work is in place with 95% taking up the free offer;
- Free School Meals are applied to all eligible children and the school benefits from the associated Pupil Premium;
- Council Tax Reduction is applied proactively to all residents that are eligible;
- Personal Budgeting Advice (one to one) is available for Universal Credit claimants that request it;
- Free swims have been made available for children during the summer school holidays;
- The creation of three new community hubs offering information, advice and guidance to residents;
- 'Holiday hunger' funding to local groups was made available this summer – see 5.2.4 below;
- Hartlepool Working Solutions team managing the £20m Tees Valley Pathways & Routeways Youth Employment Initiative Programmes. In Hartlepool, 591 young people have engaged and 174 have progressed into Education, Employment or Training;
- Hartlepool Working Solutions Team has just finished a digital skills programme with long-term unemployed adults; 101 adults took part and 82 completed the project;.
- The Adult Education Team launched its 2017/18 Adult Learning Course Guide which has been distributed across the town including Community Hubs, Community Centres, Children's Centres and Jobcentre Plus
- The Waverley Allotment Project offers 3.5 acres of arable land in the Rift House Area of Hartlepool which has been cultivated and is used to grow fresh fruit and vegetables. The project delivers therapeutic support so people with long-term mental health barriers can still lead positive lives alongside work experience, volunteering and high quality training for adults to assist them to progress into employment or further training.

**5.2.2 Hartlepool Financial Inclusion Partnership (HFIP)** – this multi agency group has been established for over 10 years. With membership covering the public, private and voluntary sector it aims to tackle issues and circumstances which create financial exclusion in the borough of Hartlepool, working in partnership with key stakeholders to reduce the burden of financial exclusion. Chaired by the manager of West View Advice and Resource Centre (Community Hub North) with Vice Chair support by the Head of Service for The Children's Hub, this group meets monthly and manages an action plan that receives contributions from across its partnership.

Key issues currently being tackled by the partnership can be seen in their plan, a summary of which can be found in Appendix B. Highlights of their recent work include engagement with DWP and Job Centre Plus around issues related to Universal Credit; re-establishment of a Community Bank/ Credit Union facility based across the town; training for front line workers around impact of welfare reform and a basic introduction to benefits and entitlements; accessible factsheets covering issues such as price comparison websites, staying safe online, staying warm in winter and welfare reform.

**5.2.3 Joseph Rowntree Foundation (JRF)** – JRF published its strategy for solving UK poverty in September 2016. 'We Can Solve Poverty in the UK' sets out a number of recommendations for government, businesses, communities and citizens<sup>v</sup>. Many of their recommendations are echoed in Hartlepool's current strategy and plan. JRF continues their presence in Hartlepool at Hartfields Retirement Village however in 2016 they made a commitment to supporting social investment in the town. To date this has included the provision of a dedicated Community Development Worker who is in the process of supporting the following actions:

**Poolie Time Exchange** - connects people to fellow community members in need of support. In exchange for their time, community members earn 'Poolie Pounds', which they can spend on things to help them to better make ends meet and improve wellbeing.

**Housing Heroes** - working to secure social investment and grant funding, to fund a pilot which will see a vacant property turned around by young care leavers for them to live in. The project aspires to be able to offer this opportunity to all 120 care leavers in Hartlepool.

**Stronger Neighbourhoods** - aims to strengthen community spirit across Hartlepool, taking one neighbourhood at a time. The first area is De Bruce, in which the project has undertaken community-based, participatory research with De Bruce residents about community spirit locally.

**Social investment** - supporting community and inter-agency activity, JRF is also supporting organisations to consider accessing social investment. These include:

- Hartlepool Borough Council, up to £450,000 to purchase residential houses for Syrian refugees as part of the Vulnerable Persons Resettlement Programme.
- Housing Heroes, £50,000 to fund the project as above alongside grant funding from a third party.

**Community research** - JRF has supported 40 local volunteers with participatory training and expenses to undertake a number of projects to better understand life in Hartlepool. These projects include a wide range of 'community conversations' and their latest consultation findings will be released in October at their next 'action lab' event.

**Hartlepool Action Lab 2017** - building on the most recent piece of community research JRF will host a further Action Lab in October 2017. The aim of this year's Action Lab will be 'making life more affordable'. Participants will come from a mixture of local and national organisations and communities in Hartlepool. They will work to develop innovative and creative solutions to the cost of energy and food, and to support welfare benefit claimants to mitigate and manage changes to benefit entitlements. The Action Lab will be facilitated by Community Solutions, a US-based organisation with expertise in solving homelessness.

**5.2.4 Holiday Hunger** – the Health Improvement Practitioner shared the evaluation report on the 2016 Holiday Hunger scheme with members which included a food parcel distribution and grant scheme. Whilst the food parcel scheme was problematic, the evaluation report recommended a further grant scheme be delivered in readiness for summer 2017. 18 groups have been successful in securing funding for the school summer holiday period and a report from the Health Improvement Practitioner will follow in due course.

**5.2.5 Food poverty – ‘Belly Full’** – currently a sub group of the HFIP with support from JRF, this relatively new community group with a working title of ‘Belly Full’ aims to tackle food waste and food poverty whilst complementing the Trussell Trust Foodbank service. Action is underway to secure two community fridges in the north and south of the town where ‘short shelf life fresh food’ can be collected, stored and distributed to local community groups. The concept has come from Spain where solidarity fridges are quite common and also good practice from Somerset and Frome where a sustainable food waste strategy has been in place for some time. Chaired by the JRF Community Development Worker with support from a number of organisations including The Children’s Hub and Thirteen, the group has prepared a five year plan which if successful will see an end to food waste and hunger and a sustainable holiday hunger plan for the town.

## **6. FINANCIAL CONSIDERATIONS**

The activities currently in place to tackle child and family poverty have no impact on the council’s budget, nor require any additional funding support. However, the remaining child poverty budget funding could be used to target specific actions within the plan(s) in the Appendices.

## **7. CONSULTATION**

JRF has led a second wave of consultation with residents in the town including young people. Building on the success of ‘Hartlepool Conversations’ which they conducted last year, they have recruited further resident researchers to talk to their communities and gather their thoughts and feelings. The focus for the second consultation has been ‘making life affordable’ and the researchers will be accredited with a Level 2 OCN qualification as a result of their work. Their consultation findings will be released at the October 2017 Action Lab.

## **8. LEGAL CONSIDERATIONS**

There are no legal considerations.

## **9. CHILD AND FAMILY POVERTY**

The child and family poverty strategy aims to reduce the number of families living in poverty.

**10. EQUALITY AND DIVERSITY CONSIDERATIONS**

Poverty can affect anyone - children, young people and adults. However some are more at risk than others. The elderly are less likely to suffer poverty. Families with two or more dependent children, single parents, those adults in paid work that receive the minimum wage and single people under 35 are most at risk. In addition vulnerabilities such as ill health, age, gender and ethnicity and an individuals' risk of poverty increases.

**11. STAFF CONSIDERATIONS**

There are no staff considerations.

**12. ASSET MANAGEMENT CONSIDERATIONS**

There are no asset management considerations.

**13. RECOMMENDATIONS**

Members are asked to note the contents of the report and actions taken.

**14. REASONS FOR RECOMMENDATIONS**

Child and Family Poverty is not the sole responsibility of the local authority. The sharing of ownership and multi agency approach to tackling poverty will have a greater chance of impact and success.

**15. BACKGROUND PAPERS**

We Can Solve Poverty in the UK, JRF, September 2016.  
<https://www.jrf.org.uk/report/we-can-solve-poverty-uk>

**16. CONTACT OFFICER**

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## Hartlepool Child and Family Poverty Action Plan 2016-2020 (Sept 2017 summary update)

**Key action: mitigate the impact of poverty on children and families**

JRF activity: Poolie Pound, Housing Heroes, Stronger Neighbourhoods - 3 action lab projects continue with support from JRF – new action lab projects to be established October 2017 'making life affordable in Hartlepool'.

Money, budgeting and debt: keeping a close eye on the cost of living; monitoring the impact of Universal Credit on families; taking an active approach to money management; knowing where to get low cost credit and where to get money advice if needed - Cost of living monitored and Local Welfare Support adjusted to meet needs if necessary; UC task and finish group set up by HFIP to address concerns with close liaison with DWP and HMRC; JRF supporting energy tariff project; HFIP promotes advice and guidance network across the town.

Benefits and entitlements: ensuring people are getting the benefits they are entitled to; ensuring children that are entitled to a Free School Meal are identified automatically by the council and an award is made - Front facing LA staff undertaking 'benefit check's where appropriate; FSM in place and applied to all eligible children; schools receive Pupil Premium.

Education: eligible children take up free early education and childcare entitlement enabling the parent to train or work - Take up of free early education and childcare is amongst best in the country with take up on or around 95%.

Housing: work with social housing providers and support them in a moral duty to ensure they help families at risk; support families in rent arrears to take positive action on their tenancy with the aim of preventing eviction and target fuel poverty and improve energy efficiency - Strategic Housing Partnership in place; Monthly multi agency group in place to plan ahead for those at risk of rent arrears; CAB multi agency homelessness forum in place; WVARC offering energy advice service.

Family relationships and resilience: focus on relationships and couple support with an understanding that families are stronger when they work together; make sure residents know where they can go in times of crisis but also to seek early help when they need it - CFNE offering relationship support and couples therapy; Local Authority Children's Hub, early help, social care in place to support in need of early intervention and/ or statutory social care services.

**Key action: build pathways out of poverty for children and young people**

Education: ensuring our schools are at least Good and preferably Outstanding; post-16 education providers offer education that meets the needs of young people - Education Commission and strategy in place.

Transition: ensuring our secondary school and post 16 learning providers offer information, advice and guidance to young people helping them make informed choices about their future; improved transition arrangements from formal education providers to service providers such as Adult Education and other Training Providers ensuring young people are clear on training pathways available to them; advice on self-employment and enterprise available across all age groups and abilities – IAG support in place in all secondary schools; communication between secondary education providers and youth support services to identify vulnerable young people at risk of NEET; self employment support available through YEI programme

and from Hartlepool Working Solutions / Enterprise Centre.

Skills, work and employment – ensure children are taught about money, money management, savings, credit and debt. Support them to develop practical skills that will go on to help them in adult working life - an audit has been undertaken by HFIP to understand what provision schools have in place and what help they would like; Illegal Money Lending Team funding secured to purchase and deliver education packages to schools on money and money management.

Key action: create new opportunities for adults to reduce child and family poverty

Skills, work and employment – Ensure young people leaving education are ready and able to work; adults are offered training opportunities to fill identified skills gaps; local people are able to access local jobs; where there has been a loss of traditional employment sector skills look to replace this with new skills that meet the needs of a modern day workforce; promote self-employment, enterprise and commerce as a means to self-sufficiency and full employment; adults have the skills and access to digital services allowing them to engage with public sector agencies (e.g. DWP) to claim benefits they are entitled to and to search and apply for jobs – HBC's Hartlepool Working Solutions (HWS) Team continues to manage the Youth Employment Initiative with the aim of supporting young people aged 15 to 29 who are either Unemployed or not in Education, Employment or Training (NEET). The programmes have engaged 3,229 young people across the Tees Valley up to the end of June with 1,082 progressing into Education, Employment or Training; HWS digital skills project for long term unemployed; Adult Education 2017/18 training programme available; Waverley Project up and running offering volunteering and skills to adults with mental health difficulties.

Key action: ensure no child goes hungry during school holidays

Workforce – ensure workers across town know what provision is available for hungry residents and their families – audit of free food availability completed; information poster prepared; articles in local press.

Poverty proofing – remove any stigma attached to Free School Meals and accessing foodbanks; ensure crisis payments for Local Welfare Support are fair and consistent and are made available to the public as sensitively as possible - Poverty proofing the school day project supported by Children North East underway; discrete LWS service offered to vulnerable clients.

Partnerships – support the voluntary sector to identify funding opportunities for out of school provision specifically targeting summer holidays and those in greatest need; continue to support the local Trussell Trust foodbank through Local Welfare Support and refer those that are most in need to the service - Greggs and Kelloggs funding promoted; holiday hunger grant promoted; annual support using Local Welfare Support funding continues.

Food – explore Fare Share as an option for free/ low cost food and encourage voluntary sector agencies to access the scheme; ensure breakfast clubs operating across the town are accessing free cereal from Kelloggs; work with Greggs and encourage partners to register to collect and distribute free food at the end of the working day – five year plan developed by 'Belly Full' HFIP working group making most of 'spare' food, Kelloggs, Greggs, Food Cloud, Fare Share and other free food sources.



## Hartlepool Financial Inclusion Partnership Summary Action Plan 2017-18 (key priorities)

Objective	Driver	Update
Create and maintain a strong and effective multi agency HFIP	Ensure all partners participate; regular review of Terms of Ref; Facebook and Website presence; newsletter; support one another with training; improved relationships with key stakeholders; de-duplicate and synchronise services	Strong partnership, regular attendance, new members welcomed, terms of reference reviewed and updated; Facebook page and website created; newsletter in place; multi agency approach to training undertaken with relevant partners delivering sessions free of charge; speed networking event held to introduce partners to one another; de duplication of various groups undertaken and a merging of groups to strengthen partnership complete.
Build financial capability through financial education	Teach children about money, savings and debt in an age appropriate way; target those in transition (eg child to adult; single adult to parent; working age to pensioner); source tools and resources; better understanding of bank accounts for residents; promote Credit Union; report illegal money lending	Contact made with schools to establish what (if any provision) they have in place; funding bid prepared for transition stages (unsuccessful); tools and resources located on an ongoing basis in particular Turn2Us and Money Advice Service; Credit Union services re-established with a base at WVARC and collections across the community; IMLT are members of HFIP, members trained including how to report – some successful prosecutions as a result of intelligence shared by members.
Plan and respond effectively to welfare reforms	Members fully uptodate on welfare reform timeline and potential impact; target the most vulnerable and most susceptible to impact; deliver training to front line workers; information accessible in various formats; money management support; Universal Credit support.	Firm partnership understanding of impact of welfare reform; training provided to front line workers; timeline of changes bring tracked and mitigation put in place where possible for future changes; series of short accessible leaflets prepared and available in hardcopy or online; UC awareness raising and training delivered to front line workers.

<sup>i</sup> Time For Change: An Assessment of Government Policies on Social Mobility 1997-2017, Social Mobility Commission, June 2017.

<sup>ii</sup> Child Poverty Commission North East, <http://www.nechildpoverty.org.uk/about-child-poverty>

<sup>iii</sup> North End Child Poverty Now, December 2016.

<sup>iv</sup> North East Child Poverty Commission, Children in workless households 2014.

<sup>v</sup> We Can Solve Poverty in the UK, Joseph Rowntree Association, September 2016



# POVERTY IMPACT ASSESSMENT

7.1

**1. Is this decision a Budget & Policy Framework or Key Decision? YES**

If YES please answer question 2 below

**2. Will there be an impact of the decision requested in respect of Child and Family Poverty? YES / NO**

If YES please complete the matrix below

GROUP	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
Young working people aged 18 - 21	Yes			Actions in strategy set out how being addressed
Those who are disabled or suffer from illness / mental illness	Yes			Actions in strategy set out how being addressed
Those with low educational attainment	Yes			Actions in strategy set out how being addressed
Those who are unemployed	Yes			Actions in strategy set out how being addressed
Those who are underemployed	Yes			Actions in strategy set out how being addressed
Children born into families in poverty	Yes			Actions in strategy set out how being addressed
Those who find difficulty in managing their finances	Yes			Actions in strategy set out how being addressed
Lone parents	Yes			Actions in strategy set out how being addressed
Those from minority ethnic backgrounds	Yes			Actions in strategy set out how being addressed

**Poverty is measured in different ways. Will the policy / decision have an impact on child and family poverty and in what way?**

Poverty Measure (examples of poverty measures appended overleaf)	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
All measures should be addressed through the strategy as these are outcomes being measured	Yes			Strategy objectives are linked to improvement in all these areas

Overall impact of Policy / Decision			
NO IMPACT / NO CHANGE	Positive impact	ADJUST / CHANGE POLICY / SERVICE	
ADVERSE IMPACT BUT CONTINUE		STOP / REMOVE POLICY / SERVICE	
Examples of Indicators that impact of Child and Family Poverty.			
<b>Economic</b>			
Children in Low Income Families (%)			
Children in Working Households (%)			
Overall employment rate (%)			
Proportion of young people who are NEET			
Adults with Learning difficulties in employment			
<b>Education</b>			
Free School meals attainment gap (key stage 2 and key stage 4)			
Gap in progression to higher education FSM / Non FSM			
Achievement gap between disadvantaged pupils and all pupils (key stage 2 and key stage 4)			
<b>Housing</b>			
Average time taken to process Housing Benefit / Council tax benefit claims			
Number of affordable homes built			
<b>Health</b>			
Prevalence of underweight children in reception year			
Prevalence of obese children in reception year			
Prevalence of underweight children in year 6			
Prevalence of obese children in reception year 6			
Life expectancy			

# FINANCE AND POLICY COMMITTEE

22 November 2017



**Report of:** Director of Finance and Policy

**Subject:** DEPARTMENTAL ANNUAL PROCUREMENT REPORT  
FOLLOW UP ACTIONS

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 For information.

## 2. PURPOSE OF REPORT

2.1 To provide the additional information requested by the Finance and Policy Committee in relation to the Departmental Annual Procurement Reports (DAPR's) submitted on 18 September 2017.

## 3. BACKGROUND

3.1 A consolidated DAPR was submitted to Finance and Policy Committee prior to their submission to individual Policy Committees. These DAPR's are now in the process of being presented to their respective committees, with Finance & Policy Committee's comments also being reported for consideration.

The Finance & Policy Committee made a number observations and comments in relation to the consolidated report. This report details those observations and provides responses from Departments.

## 4. ADDITIONAL INFORMATION

4.1 Details of the additional information requested by Finance and Policy Committee are provided in the table below and further information is provided in the attached appendix.

ISSUE IDENTIFIED	RESPONSE PROVIDED
<b>Finance and Policy Committee</b>	
<p>Ref. No. 58 – Sexual Health – The Interim Director of Public Health reminded Members that Sexual Health is a statutory service and must meet all the national standards and requirements. <b>Members requested details of the wide range of services provided under this contract and the Interim Director indicated he would provide such a summary.</b> The value of the contract was highlighted by members and it was explained that this was a sub-regional contract providing statutory services. <b>Members wished to receive further details to support a discussion around the service.</b></p>	<p>This service has been co-commissioned by all 4 Tees Local Authorities, in collaboration with Hartlepool &amp; Stockton and South Tees Clinical Commissioning Groups and NHS England (NHSE) to ensure a joined up approach to delivering a comprehensive service. The service provides both legally mandated and non mandated integrated sexual health services across Teesside. The mandated elements include: open access sexual health services for everyone present in their area; covering free sexually transmitted infections (STI) testing and treatment, and notification of sexual partners of infected persons; and free contraception, and reasonable access to all methods of contraception.</p> <p>In addition, the service provides the following activity through sub-contracting arrangements; GP's - Long Acting Reversible Methods of Contraception (LARC), Pharmacies - Free Emergency Hormonal Contraception (EHC) and condom distribution (C-Card Scheme), Brook - outreach provision including: relationship education &amp; training, chlamydia screening, condom distribution (C-Card Scheme) and pregnancy testing, Terrance Higgins Trust - Information, advice, support and testing for anyone living with HIV or concerned about being infected.</p> <p>Co-commissioning with the CCG and NHSE the service provides: vasectomy services, Psychosexual Counselling, and cervical screening.</p>
<p>Ref. No. 48 – Specialist Drug and Alcohol Prescribing Service – As with the Sexual Health contract described above, <b>Members requested further details to support a discussion around the service.</b></p>	<p>The service provided includes prescribing programmes of oral methadone, and other prescribed maintenance treatments, detoxification treatment, and pharmacological treatment for stimulant use, and management of benzodiazepine dependence for chaotic, chronic drug misusers and the full range of clinical community alcohol detoxification treatment programmes for alcohol patients.</p> <p>The service signposts and refers to health</p>

	provision in order to address the full range of health needs of the client, with emphasis on reducing drug and alcohol related deaths through continually assessing this risk with clients and the delivery of preventative interventions for Hepatitis B and C and addressing the risks of HIV and TB (Alcohol patients) and the delivery of associated health risk brief interventions including smoking cessation, healthy eating, sexual health and oral health.
Ref. No. 643 – Security Services – Members questioned whether this was a service which could be delivered through the use of in-house resources. <b>Members requested further details to support a discussion around the service.</b>	An analysis of options is underway and a report will be presented to a future Finance and Policy Committee meeting.
Community Hub North and Financial Advice Service – Members sought clarification that the financial advice service is a town-wide service. It was confirmed that the service is town-wide and <b>members requested that the Contract / Service Description be changed to reflect this fact.</b>	This service is contracted to deliver a service town-wide.

<b>Adult Services Committee</b>	
Ref. No. 1 – Homecare, and Ref. No. 2 – Homecare – Members <b>requested clarity as to which services are provided via these contracts.</b> It was confirmed that these contracts related to packages of care delivered in a persons' home – primarily to older people. Members requested that this be made clear in the report.	Homecare services are currently being re-commissioned through a tendering process. It will be made clear in future Departmental Annual Procurement Reports that these contracts relate to home care for older people.
Ref. No. 3 – Adult Carers Support Service – <b>Members queried whether the contract value was sufficient in light of demand. Further information will be provided to Adult Services Committee regarding the range of services and support available to carers.</b>	A report will be provided to Adult Services Committee in February 2018 setting out the range of services and support available to carers, linked to the development of a new Carers Strategy.
Ref. No. 8 Information Signposting and Handyperson – Members queried the utilisation of the service across the town. <b>Further information to be provided to</b>	A report will be provided to Adult Services Committee in March 2018 regarding services provided, future delivery options and potential links to other services.

<p><b>Adult Services Committee regarding the services provided and the potential for this to be delivered differently, linked to Hartlepool Now and Community Hubs.</b></p>	
<p>Ref. No. 15 – Dementia Advisory Service - <b>Members queried whether the contract value was sufficient in light of demand. Further information will be provided to Adult Services Committee regarding the range of services and support available to people living with dementia.</b></p>	<p>A report will be provided to Adult Services Committee in December 2017 setting out the range of services and support available to people living with dementia.</p>
<p>Ref. No. 1 – Healthwatch – A Member questioned if this was the best way to provide the service, i.e. through a renewable contract, when the service had to be provided by a Healthwatch organisation. The Chief Executive commented that clarification was awaited from central government in relation to the requirement to tender this service.</p>	<p>Clarification is still awaited from Government. Details to be reported to a future meeting of Finance and Policy Committee</p>
<p>Ref. No. 4 – Assistive Technology – Telecare – there was a query regarding who provides the Telecare service. The Director explained that Thirteen Group provide the call handling and arrange installation of the equipment, but that the physical response to calls is provided by the Council's in-house service. Members considered that service users needed this to be clarified, and the <b>Director confirmed that a letter would be sent to all users of Telecare by the end of September 2017 to provide this information.</b></p>	<p>A letter was sent to all users of Telecare service at the end of September 2017.</p>

<b>Children's Services Committee</b>	
Ref. No. 35 CAMHS (LAC) – there were general concerns at the service provided and <b>further consideration by Children's Services Committee was required.</b> The Director of Children's and Joint Commissioning Services noted that this is a specific enhanced offer from the CCG commissioning arrangements for mental health services for children and young people and alternative delivery options were currently being explored.	The commissioning of services to support the emotional and mental wellbeing of vulnerable children and young people is currently being reviewed within the department. A report will be presented to Children's Services Committee in January 2018 outlining a proposed new delivery model for consideration and decision at committee.
<b>Neighbourhood Services Committee</b>	
Ref. No. 94 – Passenger Transport Services – There are multiple suppliers on this framework and this information was recorded as 'Various'. <b>Members requested details of supplier names and expenditure against each.</b>	See attached confidential Appendix A.  <b><i>This item contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information).</i></b>
<b>Regeneration Services Committee</b>	
Ref. Nos. 58-62, 64, 66, 68, 70-72, 75, 77, 79-82, 85 and 86 – YEI Pathways, and Ref. No. 57, 67 and 78 – YEI Routeways – concern was expressed at the level of administration support required to accompany the YEI Programme due to EU guidance.	The Youth Employment Initiative is a challenging programme with stretching targets to support 6,500 young people by July 2018. The programme is further complicated by the levels of administration imposed by the DWP. This administrative burden has been repeatedly raised with the DWP and Tees Valley Combined Authority, however, this is the framework that the Council and its consortium members must comply with to secure this funding.

**5. RISK IMPLICATIONS**

- 5.1 None – risks are managed by the existing procurement process.

**6. FINANCIAL CONSIDERATIONS**

- 6.1 There are no financial considerations associated directly with this report, although there will be financial considerations in relation to individual procurements decisions, and/or the development of alternative service delivery business cases.

**7. LEGAL CONSIDERATIONS**

- 7.1 None – legal issues are managed by the existing procurement process.

**8. CONSULTATION**

- 8.1 Not applicable.

**9. CHILD AND FAMILY POVERTY (IMPACT ASSESSMENT FORM TO BE COMPLETED AS APPROPRIATE.)**

- 9.1 There is no direct impact on Child and Family Poverty issues although there is the possibility of indirect impacts, depending on the commissioning / procurement strategies employed.

**10. EQUALITY AND DIVERSITY CONSIDERATIONS (IMPACT ASSESSMENT FORM TO BE COMPLETED AS APPROPRIATE)**

- 10.1 There are no equality and diversity considerations applicable to this proposal.

**11. STAFF CONSIDERATIONS**

- 11.1 There are no staff considerations applicable to this proposal.

**12. ASSET MANAGEMENT CONSIDERATIONS**

- 12.1 There are no asset management considerations applicable to this proposal.

**13. RECOMMENDATIONS**

- 13.1 It is recommended that Members note the report.



**14. REASONS FOR RECOMMENDATIONS**

- 14.1 To provide the information requested by Members.

**15. BACKGROUND PAPERS**

- 15.1 The report of the Director of Finance and Policy to the Finance and Policy Committee on 18 September 2017 – ‘Consolidated Departmental Annual Procurement Report’.

**16. CONTACT OFFICERS**

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